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HUNGARY

Possibility of Communist Parliamentary Coup Disputed

25000418b Budapest NEPSZAVA in Hungarian 15 Aug 89 p 5

[Article by Katalin Torok: "Parliament on Summer Vacation—Spiced With Some Excitement: Communist Representatives Will Not Resign"]

[Excerpts] Word spread: Communist representatives are planning to resign at the September session of the National Assembly. If this were indeed true, the workings of Parliament would become paralyzed, because it is well known that 75 percent of the legislators are members of the Hungarian Socialist Workers Party [MSZMP]. A great majority of the legislators is on summer vacation, thus we had difficulty in reaching a few over the phone and in asking what their fall plans were. [passage omitted]

According to an article in the 29 July issue of NEPSZABADSAG, if Communist representatives were to propose a dissolution of Parliament, the Opposition Roundtable would interpret this action as the MSZMP unilaterally determining the most appropriate time for elections. [passage omitted]

Dr Karoly Hellner, Budapest 32nd District representative: "I have not seen even a sign of an attempted coup, and in my view early elections would not be in the MSZMP's interest. As a representative and a member of the MSZMP, under no circumstances do I agree with the idea of resigning. I certainly would not agree to such a proposal if there was one. I feel that Parliament should function in the interest of the country according to its best knowledge, intention, and will, as long as it is capable of doing so in a constitutional and legal manner. There is a need for many laws in the realm of economic and social policy; most important is the party law and the new election law. Legitimacy is a constant concern on the present Parliament's agenda. If it dissolves without creating a new election law, the next National Assembly once again would have legitimacy as its main problem."

On what basis should we elect the next legitimate National Assembly without a democratic election law? But the question also may be posed this way: Should a parliament whose legitimacy is questioned by many create a democratic election law according to its own intentions? [passage omitted]

Rep Dr Katalin Kollar: "In my view this parliament should function by all means until it creates a party law and a new election law. The next elections cannot be held on the basis of the old election law. This parliament is legitimate as well as illegitimate, nevertheless it can create laws. The important thing is to establish an opportunity for democratic elections. I, in contrast to many of my fellow representatives, do not feel offended for removing a number of key laws from the agenda." [passage omitted]

Rep Dr Hellner: "The party law and the new election law should provide an opportunity for the rest of the parties to adequately prepare for the elections. Under no circumstances should there be any question about the possibility that it was not elected on the basis of the true will of the electorate. I would be very pleased if the Opposition Roundtable and the MSZMP would reach an agreement as soon as possible, because the schizophrenic situation we have today does not help the country. If for no other reason, I would rule out the possibility that the MSZMP is urging representatives to resign, because in order to do that the party factions should have been convened. Our age group—and I am speaking for those in their forties—would not accept this, because we would see the inherent dangers. We do not want to be judged by history." [passage omitted]

Accordingly, an attempted coup is out of the question, at least as far as those we could reach during the summer lull are concerned. And the situation of representatives is that of someone who has purchased a pig in a poke, and this is only several years after the bargain was struck. Because during the 1985 elections no one could have thought of the current developments in domestic policy.

Popularity Poll Shows Increased Political Awareness Among Populace

25000417g Budapest NEPSZABADSAG in Hungarian 10 Aug 89 p 5

[Article by Hedvig Lehmann, Hungarian Public Opinion Research Institute official: "The Popularity of Hungarian Politicians"]

[Text] Since September 1988 the Hungarian Public Opinion Research Institute has completed six nationwide surveys, in which it requested survey participants to grade a few politicians on a scale of 1-5. The grade "5" was assigned to the most popular politicians. (In the course of processing the data, the scale of five was changed to a scale ranging from 0 to 100.)

In comparing the data obtained from the six surveys we find that, while in the first survey the grades span a narrow scale (65-73), in subsequent surveys the intervals between the grades broadened one after another: 60-76, 57-78, 48-78, 45-80, and 43-80. This suggests that initially the "faceless," and therefore more difficult to judge politicians became discernible as a result of the MSZMP's polarization, the acceptance of views or differences in views, and the increased openness.

In September 1988 the grades spanned a small scale, and thus the differences between grades are very small.

More persons became part of the upper zone during the November survey. The data reveal that better known politicians who had assumed a public role for several

years were more popular than those just emerging in political public life in the center zone, such as Miklos Nemeth, Sandor Nagy, and Pal Ivanyi.

Three groups could be distinguished in March. Zoltan Kiraly, appearing for the first time in the listing, received the highest grade. Once again, Pozsgay was in the upper zone, and Miklos Nemeth became part of the group, with his grade increased to 76. At the same time, a majority of the politicians who had obtained the highest grades in the previous survey due to the survey population's familiarity with their names, slipped down to the center range.

The strengthening of this trend may also be observed in the results of the May and June surveys. At the same time, those whose grades began to drop in March received even lower grades in May and June. Karoly Grosz, Janos Kadar, and Janos Berecz dropped from the center zone to the lower zone in March.

In our July survey the list included Istvan Csurka, Viktor Orban, Sandor Racz, and Robert Ribanszki for the first time. While familiarity with the former ranked between 80 and 90 percent, the newcomers were known by relatively few. (Robert Ribanszki was known by 26 percent, Sandor Racz by 27 percent, Viktor Orban by 35 percent, and Istvan Csurka by 41 percent of the survey population.) Of these, three politicians entered the center zone. Accordingly, the earlier finding that the popularity index of lesser known politicians places them into the center zone has prevailed. The upper group includes the names of politicians who have received the highest grades before.

Thus far we have considered which persons were placed together in the same group as a result of identical grades in individual surveys. In examining the data from the standpoint of changes in the grades of individual politicians at various points in time, we may distinguish between four main categories.

The first category includes those who received high grades all along, who show small differences between the grades received in individual surveys, and who are found consistently popular, with no fluctuation (e.g. Imre Pozsgay, Zoltan Kiraly, Matyas Szuros).

The second group includes those whose grades do not show large fluctuations, but whose grades are lower than those in the first group, and therefore are placed in the center zone (e.g. Rezso Nyers, Kalman Kulcsar).

The third group includes politicians who have received continuously higher grades (e.g. Miklos Nemeth). The fourth type includes those whose popularity continuously declines (e.g. Karoly Grosz, Janos Berecz).

	Sep 88	Nov 88	Mar 89	May 89	Jun 89	Jul 89
Pozsgay, I.	73	76	76	78	78	79
Berecz, J.	70	72	67	59	52	54
Nemeth, M.	—	66	76	75	80	80
Grosz, K.	69	70	64	53	45	48
Nyers, R.	65	69	71	72	66	73
Kadar, J.	67	70	61	58	48	—
Medgyessy, P.	65	69	71	—	66	—
Ivanyi, P.	—	60	—	—	—	—
Stadinger, I.	—	—	54	—	—	—
Nagy, S.	—	68	70	67	59	—
Kiraly, Z.	—	—	78	78	73	74
Kulcsar, K.	—	—	67	67	61	—
Huszar, I.	—	—	57	49	—	—
Bekesi, L.	—	—	—	—	59	—
Horn, Gy.	—	—	—	—	66	67
Szuros, M.	—	—	—	72	70	71
Csurka, I.	—	—	—	—	—	61
Orban, V.	—	—	—	—	—	57
Racz, S.	—	—	—	—	—	56
Ribanszki, R.	—	—	—	—	—	43

The fact that persons with lower levels of education, unskilled or trained laborers, assigned higher than average grades represents a general trend. Equally, persons with an intermediate education, skilled workers and white collar workers not holding diplomas, assigned grades close to the average. Persons who had completed higher education and the intelligentsia assigned lower than average grades. Persons between the ages of 18 and 39 assigned lower than average grades, while persons 60 or older gave higher-than-average grades to politicians.

(Note: On 1 August 1989 MAGYAR NEMZET published a survey entitled "The Popularity Index of the Hungarian Socialist Workers Party [MSZMP] Presidium." It reflected

the results of a survey of Budapest residents. The present examination is based on the survey of 1,000 persons nationwide. This is the reason for the differences in data.)

MTI, Press Reject Charges of Opposition News Manipulation

25000417b Budapest NEPSZABADSAG in Hungarian 3 Aug 89 p 4

[Text] In its statement published Wednesday, the Association of Free Democrats [SZDSZ] protests, what it judges to be a nationwide practice, which "uses every means to present the statements of noncommunist parties and organizations as insignificant. We regard the fact that opposition news is segregated virtually into a ghetto under the heading "OS Reports" [National News Service reports—a service established by the Hungarian news agency MTI] as a manipulative editorial tactic." The statement claims that "a number of daily newspapers abbreviate texts to the point that they cannot be recognized, and they frequently falsify the original meaning of such statements. In publishing news reports they do not differentiate between parties with several thousand members on the one hand, and small groups composed of a few persons, on the other. In doing so they do not attribute a greater value to the small organizations, but instead they try to minimize the national leadership of opposition parties and their determinations. They do not provide for the parties to enforce under equal conditions the fundamental principle that in reporting statements the origin and background of the news must also be clarified."

The statement views the MTI as having established OS as a step toward a more free flow of information, but at the same time criticizes MTI by saying that the news agency "continues to refuse to forward opposition news materials and refers persons seeking out the MTI to the OS." The statement also calls upon editors with a sense of responsibility for the provision of information to publish news concerning opposition organizations in a democratic manner, consistent with the political weight of such news.

In his response the MTI Domestic Service editor in chief states that it is not the task of the MTI Domestic News Service to convey news, reports, and positions in an unchanged form. Instead, its function is to report on events and happenings in a condensed form, by accentuating the essence, guided by the newsworthiness of an item and by objectivity. This is what the MTI does with regard to the events and happenings of independent opposition organizations, among them the SZDSZ. But if the MTI receives material from an external source, and not from its own reporters, it will weigh the newsworthiness of such items, and will decide accordingly about publishing the item by stressing the facts and the essence that is to be told, and then will draft the material into news. Accordingly, the basis of selection is not the organization from which news originates. In the event that an organization seeking publications does not wish to subject itself to the selection process, they have access to the OS, which will forward news releases in their entirety, without change. The manner in which the information forwarded by the OS is utilized is decided by the individual newspapers.

The response of the MTI Domestic Service editor in chief correctly explains and justifies a practice, for which it would be difficult to develop a more practical alternative in our present, transitional situation. The OS reports enable organizational news, which otherwise would not be accommodated within the news agency's daily editions, to reach the press. There is no news agency in the world which would automatically publish the news releases of every organization, because it then could not fulfill its fundamental purpose. (It would be difficult to reconcile the idea of obligating news agencies to publish every organizational position statement with the idea of a free press.) It is for this reason that under present circumstances the functioning of the OS appears to be a good solution. It is difficult to comprehend the apprehension about failing to differentiate between parties having several thousand members and groups composed of a few individuals. After all, today there are relatively few parties with several thousand members, and it would not be fair to present the news on the basis of the number of members in an organization either. This would not be possible, because the exact number of the various groupings is unknown.

Insofar as the practice of abbreviating OS reports presented in newspapers is concerned, one can only repeat that in pluralistic countries only on the rarest occasions do they publish a party's or organization's position statement in its full length, and the parties do not even insist that the press do so.

Journalists Association on County Newspapers, Broadcasting

MUOSZ Presidium Statement

25000417f Budapest NEPSZAVA in Hungarian 10 Aug 89 p 5

[Text] At its Wednesday meeting, the presidium of the National Association of Hungarian Journalists [MUOSZ] adopted positions regarding a number of issues affecting the profession and openness.

According to the presidium, in the present transitional period only the county councils may be the publishers and sponsors of newspapers founded by the Hungarian Socialist Workers Party [MSZMP]. In this regard, the county councils' operations should be performed under appropriate societal control, ensuring equal opportunity for those who run in the elections. During the period before the elections the issue of societal control of the Hungarian News Agency, Hungarian Radio and Hungarian Television remains unresolved. The presidium is convinced that it is not in the interest of the MSZMP, the Opposition Roundtable, or the so-called third side to make the activities of these institutions the subjects of a

political struggle. The only basis on which this problem can be resolved would be an after-the-fact supervision and adjudication of complaints based on the observation of political reporting.

The presidium is in agreement with the government decision not to grant broadcast licenses for the time being to new radio and television studios. On the other hand, the presidium expressed its regret that this decision is interpreted in different ways, in part by the government and in part by the organs and offices supervised by the government. This is because several broadcast licenses have been issued since the decision was made. In the presidium's view, frequencies allocated for national radio and television should be used only to broadcast the programs of national radio and television. The presidium recommends that new licenses be issued only on the basis of democratic competition, in the public view.

MUOSZ Chapter for Independent Publishing

25000417f Budapest NEPSZABADSAG in Hungarian 15 Aug 89 p 4

[Text] The Komarom County Chapter of the MUOSZ disagrees with the 9 August decision of the MUOSZ presidium. In the chapter's view, in the event that the MSZMP's ownership and publishing function is discontinued, all county newspapers and publishing firms should become independent. For this reason the chapter recommends that a conference be convened in preparation of a decision, in which one member of the MSZMP presidium, the head of the social policy division of the Central Committee [CC], the executive secretary and chairman of MUOSZ, and the editors in chief, the publishing house presidents, and the MUOSZ secretaries of all county newspapers would participate.

Opposition Wins Hypothetical Sopron Election

25000417h Budapest NEPSZABADSAG in Hungarian 11 Aug 89 p 7

[Unattributed article: "'Snapshot' of the Sopron Elections: Public Opinion Poll Concerning the Chances"]

[Text] SOPRON HIRLAP inquired about the general feeling, outlook on values, and political activities of city residents. The newspaper's comprehensive public opinion research questionnaire also focused on the question of how many persons in Sopron would vote for the electoral slates of various organizations if National Assembly and local elections were held on that day.

The questionnaire was distributed as an attachment to the newspaper. Of the 6,500 newspaper copies sold, 552 questionnaires suitable for evaluation were returned to the editorial offices. The finding that almost one-third of the respondents would not vote for any of the parties serves as a cautioning reminder. The questionnaire also proved to be suitable for examining the main reasons for indifference. It turned out that the awareness of significant groups of people concerning announced party programs is not sufficient to prompt them to endorse or reject party programs. On the other hand, others do not have confidence in any of the parties because they know their programs and view them as deception.

Twenty-five percent of Sopron readers would vote for the Hungarian Democratic Forum [MDF]. They consider the MDF a radical representative of interests, but a sober organization, and this is why their sympathies rest with the MDF.

The Hungarian Socialist Workers Party [MSZMP] received second place on the Sopron list with 13 percent of the vote. About the same number of respondents are members of the MSZMP, yet the 13-percent ratio did not come about for this reason. Thirty-eight percent of MSZMP members did not vote for anyone, or gave their confidence to the MDF. The MSZMP can thank the sympathy of party outsiders for its 13-percent share.

In examining those who cast their votes for the MSZMP it turns out that most of the MSZMP supporters were pensioners. They were followed by an equal number of employed persons and members of the intelligentsia. Persons in leadership positions follow. Only after these do we find physical laborers, barely ahead of housewives. Private entrepreneurs complete the list.

The Association of Free Democrats [SZDSZ] received 10 percent of the vote, mostly because its sympathizers believe that the SZDSZ most openly accepts the path departing or deviating from socialism. The Ferenc Munnich Society is the only organization on the list which did not receive a single vote.

The SOPRON HIRLAP survey is not a scientific assessment of representative value. It serves informational purposes: a snapshot of the current situation. This "photograph" nevertheless deserves thorough examination, because it teaches lessons that are not only applicable to Sopron.

Opposition Claims Billy Graham Silent on Romanian Issue

25000419a Budapest HETI VILAGGAZDASAG in Hungarian 12 Aug 89 p 10

[Unattributed article: "It's Graham's Money That Talks"]

[Text] On 5 August, at 2200 hours, television Channel 2 presented the taped broadcast of Billy Graham's sermon delivered at the People's Stadium. This was done even though the Hatvan organization of the Hungarian Democratic Forum [MDF] had requested that Channel 2 rebroadcast Temesvar Reformed Church Minister Laszlo Tokes' statement concerning the Romanian practice of human rights suppression, rather than broadcasting the American minister's program. The MDF supported its request by saying that, during his 6-day

visit in Hungary, Billy Graham rejected several requests that he express his opinion on the oppression of Transylvanian Hungarians in Romania. The television station did not change its program. Perhaps it did not because, as we learned, the preacher paid $25,000 to Hungarian Television for producing and recording the program and for postproduction work on the recorded material. The condition he attached to the payment was that Hungarian Television broadcast his sermon.

National Bank President Denies Intent To Join Opposition

25000412a Budapest HETI VILAGGAZDASAG in Hungarian 19 Aug 89 p 71

[Interview with Hungarian National Bank president Ferenc Bartha by Pal Reti: "The Hungarian National Bank President and the Hungarian Democratic Forum: He's Bluffing"; date and place not given]

[Text] In professional circles, rumors have it that Hungarian National Bank president Ferenc Bartha, a member of the Hungarian Socialist Workers Party [MSZMP] Central Committee [CC], will join or transfer to the Hungarian Democratic Forum [MDF]. We asked him about the truth of these rumors.

[HVG] Are you really joining the MDF?

[Bartha] Interesting news. It is probably nourished by the fact that during the past weeks we have held discussions with the economic experts of opposition parties—the Association of Free Democrats [SZDSZ], the MDF, the Social Democratic Party [MSZDP], the Smallholders Party, and the Peoples Party. We have agreed to give them all the help they need, and we have said that we would like to operate the Hungarian National Bank as a national institution. We tried to persuade them to include requirements for a strong central bank and a decent banking system in their demands, and told them to regard tight money policy as a measure in the interest of the entire nation. We tried to convince them not to consider the rescheduling of loans and further increases in the indebtedness as passable.

[HVG] Did you reach some kind of an agreement?

[Bartha] We agreed that in the future, as desired, we will consult with representatives of the opposition parties concerning longer-range economic policy and institutional development issues. Thus, for example, I forwarded to them advance copies of the legislative draft concerning the central bank. We promised to assist the program development of opposition parties by providing data and information.

[HVG] The SZDSZ experts differ from the National Bank position in that they are urging a reduction of the interest payments on Western loans granted to Hungary. Did you discuss this at the meetings?

[Bartha] The SZDSZ experts are best prepared from a professional standpoint. Accordingly, they should be aware of the fact that the structure of Hungary's indebtedness is such that a reduction of interest payments would be inconceivable on technical grounds, if for no other reason. The bonds issued are dispersed all over the world. In the course of discussions it appeared to me that the SZDSZ experts would much rather support a continuation of a balanced borrowing policy than the alleviation of indebtedness. If and when this issue if informally raised, all of our foreign partners stress that some delay in making the installment payments, and a possible quiet rescheduling, would be far more tolerable than not paying the interest on time. The position we take everywhere is that we assume responsibility for the past. If they want to help us they should improve the security, the planning capabilities, and the conditions of loans—e.g., the time frame, the grace period or the expenses, etc.

[HVG] If, as you indicated, the National Bank is a national institution, then you must also draw some personal conclusions. For example, you are a member of the MSZMP CC....

[Bartha] We are loyal to any prevailing government. We wish to serve the parties uniformly by providing information. If the government changes, the new arrangement should be decided on by the new government. In any event, we hope that the National Bank will not have a subordinate-superior relationship with the next government, but that instead the National Bank will be able to cooperate with the new government as a partner. This would be based on the new banking law.

[HVG] Could you personally, and the bank presidium headed by you, cooperate with a government not ruled by the MSZMP?

[Bartha] Of course, assuming that the government recognizes the criteria which in our view should apply to a central bank. Without such recognition we would experience the same conflict we are occasionally experiencing now. I could rephrase this by saying that we would have fewer conflicts with a government—let's say an MDF government—that wants to see a strong central bank and strong fiscal discipline, than with an MSZMP government whose program does not include these requirements.

[HVG] In conclusion, are you going to transfer to the MDF? True or untrue?

[Bartha] The rumor is not true!

Court Strikes Down Police Decision

25000418d Budapest NEPSZABADSAG in Hungarian 19 Aug 89 p 11

[MTI report: "Opposition Rally at the Tata Marketplace: Court Annuls Police Headquarters' Decision"]

[Text] The Tatabanya City Court last Friday dealt with a rather rare incident. The Association of Young Democrats [FIDESZ], the Smallholders Party, and the Tata

organization of the Association of Free Democrats [SZDSZ] announced at local police headquarters that on 19 August they will hold an all-day joint rally in one of the unoccupied areas of the new marketplace. The police took note of the date and time, but did not agree on the place where the rally would be held. The organizations turned to the court.

Representatives of the three organizations explained to the court that political changes are viewed in Tata with a rather high degree of indifference. For this reason they decided not to invite the populace to a forum at which politicians with different views have an opportunity to appear, but instead to go to the population, to the truly busy marketplace. In their view, they could thus count on far more interested persons at their rally than as if they held it at any other place recommended by representatives of the police.

Following lengthy consultation the court annulled the above-mentioned Tata police headquarters decision, and thus the rally will be held at the originally planned location. The court agreed with the arguments presented by the three organizations.

Samizdat Publishing House To Become Part of Joint Enterprise

25000419c Budapest HETI VILAGGAZDASAG in Hungarian 19 Aug 89 p 78

[Excerpt] AB-Beszelo Ltd., established with 1 million forints of founding capital, will publish in the form of a weekly newspaper selections from HIRMONDO, the monthly newspaper that until last year was a samizdat publication; Timothy Garton Ash's book about Poland; and, as its main feature, BESZELO, the samizdat publication of earlier days. Fifty-one percent of the capital belongs to the AB-Beszelo Association, 40 percent was contributed by the American Soros Foundations, and 9 percent was contributed by Dunbarton, Inc. Gabor Demszky (37) is the managing director of the new publishing organization. He belonged to the Beszelo-Circle, which gathered around Janos Kis. Together with his wife, Demszky has operated the AB samizdat publishing house since 1981. [passage omitted]

POLAND

Rural Solidarity Leader: Senate Role, Future of Solidarity

26000669 Warsaw DZIENNIK LUDOWY in Polish 21-23 Jul 89 pp 1, 3

[Interview with Jozef Slisz, chairman, NSZZ Rural Solidarity, Senate deputy marshal, by Henryk Nicpon: "Rural Solidarity Is Not a Political Party"; date and place not given]

[Text] [DZIENNIK LUDOWY] Mirabeau said that Jacobins who become ministers of state are no longer Jacobin ministers. Is a peasant who becomes a senator a stranger to such temptations?

[Slisz] There is hardly anyone who is impervious to various temptations. There is no doubt that all kinds of traps await every Sejm deputy and senator, regardless of whether he is a peasant or a university professor. People with character, who are conscious of responsibility for the country, and who in the past were tested by more than one ordeal, will certainly not let themselves be bought easily. I think that at least the members of Rural Solidarity sitting in the parliament will represent worthily and with honor the interests of the countryside and agriculture. They all have passed through a difficult and hard school of life. The martial law and the subsequent years of rebuilding Solidarity under difficult circumstances provided a kind of screening: the weaklings went under and only the best ones remained.

As for myself, I am certain that I shall not let down my voters. Five or 6 days each week I am in Warsaw or travel across the country, but when I return home, I toil on my farm like all other farmers. There is a lot of field work, but I fear neither the sickle nor the farm machine.

Everyone who loves land and cultivates it to bear fruit will not sell it for Judas' pieces of silver. Thus, work on the farm is to me a form of self-control, a way of overcoming even the greatest temptations.

[DZIENNIK LUDOWY] In what way is Slisz the senator different from Slisz the peasant?

[Slisz] Until quite recently, as an activist representing only the interests of the Rzeszow countryside, when thinking about national issues I did not consider the general mechanisms ruling them. My purview was somewhat narrow. But now that I head the national Rural Solidarity I must view everything more broadly than I used to as Slisz the peasant. Above all, my vision must extend to the problems of all farmers. Not just those owning two or three hectares but also those owning 50 hectares. Now as a senator I am learning to solve new problems which I had previously not perceived. But no matter how much my education will advance, I always want to remain myself. It is a feature of democracy that no one is once and for all assigned to a niche. When the wave on whose crest I swim comes to an end, when people cease to elect me, I want to look them straight in the eye without feeling ashamed about having disappointed their expectations.

[DZIENNIK LUDOWY] Your wife has openly admitted that she voted against your candidacy for the Senate. How did she react to your election to the post of deputy marshal of the Senate?

[Slisz] I could not forbid her to vote against me, because I have no such right. I must respect her voice, because really she has plenty of reason when she tries to convince me that my place is on the farm. My son-in-law and daughter still lack experience in managing a 15.5-hectare farm and raising hogs. The times are difficult. While

other farmers are changing their production profile, we are sticking to raising hogs. The losses we sustained thereby will not be offset soon. Thus my wife is burdened with all sorts of problems with which we have to cope. Hence her dislike of my new duties. But on the other hand, the discrimination against farming in the national economy can be stopped only by being in Warsaw. It is there, above all, that decisions damaging the peasantry are being conceived. It is thus good that my wife understands it and permits me to work outside the farm. That also is why she somehow accepted my election to the post of deputy marshal of the Senate.

[DZIENNIK LUDOWY] How do you reconcile working on your farm with directing NSZZ Rural Solidarity and working in the parliament?

[Slisz] Until quite recently, after returning from Warsaw and doing the most urgent farm chores I still had time to read books in the evenings. Now I can no longer afford this luxury. I rest while on train, on plane, or in car. My leisure time has been cut tremendously. I sensed that this would happen, and that is why I did not want to consent to being nominated for the Senate. But I was persuaded that the chairman of NSZZ Rural Solidarity must be a senator. I became a public figure, and my commitment to Solidarity work and to participation in the roundtable resulted in that there is no way back for me. This is what I have to do. In the end I am doing it not just for myself but for all peasants. The thought of it compensates me for wakeful nights.

[DZIENNIK LUDOWY] How does the 1989 Rural Solidarity differ from the 1981 Rural Solidarity?

[Slisz] The present Rural Solidarity, though not growing as spontaneously as 8 years ago, is certainly more effective in its actions. Our greatest success prior to the imposition of martial law was the signing of the Rzeszow-Ustrzyckie Accords and the legalization of our trade union. But the Rural Solidarity of those times was chiefly a combination of various exploding political currents. The present Rural Solidarity is a much more mature and balanced trade union. Its political aspirations are expressed in the participation by its representatives in the roundtable deliberations and in the elections to the Sejm and the Senate. At the same time, it is free of internally disruptive forces such as had existed in it prior to the martial law.

Nowadays, people join Rural Solidarity after thoroughly thinking it over and in the awareness of being needed by it. They want to do something for agriculture and for Rural Solidarity instead of remaining mere "dead souls." But what matters most is that they think not only about their parochial interests but also about the national good. Of a certainty, it is true that the present Rural Solidarity is a continuation of the Rural Solidarity of 1981, but qualitatively it already is a different kind of trade union.

[DZIENNIK LUDOWY] From the vantage point of time, how do you assess the Rzeszow-Ustrzyckie Accords?

[Slisz] These accords were of tremendous historic importance to the countryside and the peasants. Had their terms been followed by the authorities, the number of problems to be solved nowadays in the countryside and agriculture would have been halved. Had Section 3, dealing with prices and means of production, been implemented in accordance with the obligations assumed by the government, the farm crisis would not have been so acute. For that Section 3 guaranteed to peasants that increases in the prices of means of production would be automatically offset by increases in the prices of staple foodstuffs. Such indexing for farmers was unfortunately not implemented, and the effects are felt nowadays.

The accords of the roundtable are not that detailed. But their implementation will take 2 or 3 years. Unfortunately, even now they are not being implemented. For example, these accords provide for abolishing the monopoly of rural cooperatives. But these structures want to save themselves and, cleverly, at the national and voivodship levels, they are transforming themselves into various kinds of obligatorily formed joint-stock companies. Our country cannot afford such seeming reforms. In the very near future we will want to pose this issue at the forum of the Sejm and the Senate. The supervising councils, governing boards, and chairmen of rural cooperatives must begin to serve the entire rural community instead of attending to their personal gain alone.

[DZIENNIK LUDOWY] What is the place of Rural Solidarity in the peasant movement?

[Slisz] I believe that the countryside needs equally a trade union and a political party. But it would be a great mistake to from a political party on the basis of a trade union. Similarly, the converse also would be impossible. For these two organizations are completely different and mutually independent, even if, to be sure, their goals are similar, since their attitude toward the countryside is quite different. Rural Solidarity wants to act solely as a trade union vis a vis the peasant movement. But life is life. Members of Rural Solidarity who were elected to the Sejm and Senate cannot confine themselves to the affairs of their trade union. Hence, they have to cooperate with their colleagues from other political parties, but they will form a united front only in cases in which improvements in the countryside and agriculture are concerned. Nowadays I can say one thing: Rural Solidarity will tend to remain a trade union and, in our capacity as a trade union, we shall attempt to maximally constrict the domain of our political influence.

[DZIENNIK LUDOWY] The ZSL [United Peasant Party] is currently undergoing a period of tremendous

changes and reappraisals. What is the chance for cooperation between it and Rural Solidarity—these two currently greatest forces in the countryside?

[Slisz] I cannot say anything bad about ZSL-ists who want to turn their party into a completely independent peasant party. I often meet them in the countryside. They are aware that they owe the opportunity to form such a party largely to Solidarity. Moreover, as for example in Tarnow Voivodship, ZSL elements have been instrumental in forming Rural Solidarity. Wladyslaw Zabinski and Franciszek Kiec are persons who fuse both our organizations into a single force.

On the other hand, the attitude of the administrative apparat of the ZSL toward Rural Solidarity and the changes taking place in this country is on the whole different. Dreading the loss of its privileges, it has become a reactionary force whose place is only in the garbage can of history. That is why we cannot find a common language for dialogue with its representatives, no matter how much we may want it.

But I believe that the peasant movement will be reborn in its noblest form and become an authentic representative of the countryside. Still, for this to happen, at least one more condition has to be fulfilled. The reborn peasant party must be, regardless of its future name and general geopolitical situation, financially independent. It cannot be subsidized by anyone. Then of a certainty the peasant party will never again have to question its own identity.

[DZIENNIK LUDOWY] Which of the problems besetting and plaguing agriculture are viewed by Rural Solidarity as the most urgent?

[Slisz] The recovery of agriculture requires a comprehensive approach to all problems. The following are equally important problems: supplies of low-cost and reliably operating means of production for agriculture, provision of credit to farmers on convenient terms, improvements in rural infrastructrure and amenities, finding a way to keep the young on the farm, and the assurance of adequate old age pensions and annuities for farmers. How can this be accomplished considering that each day the food problem is becoming worse and more complicated? The current freeze on procurement prices is a disaster to farming. The present uncontrolled hikes in the prices of various manufactured goods in combination with the freeze on food products result in a simply crazy situation. Yet this is precisely what has happened following the steep increases in the prices of producer goods last June. Nowadays farmers can buy much less than last year with the money they received from the state for their deliveries of rape and barley. We have already received thousands of telephone calls about this matter.

The petroleum price hike was another blow to farming. In explaining the necessity of increasing the price of gasoline by 100 zlotys per liter Minister Wilczek referred to the need to levy sumptuary taxes on the better-off groups, but he made no mention of the similar increase in the price of petroleum. This has raised the problem of how to include it in production cost. The petroleum price hike is bound to entail a hike in food prices. There is simply no alternative.

And lastly consider yet another example of the violation of the accords reached at the roundtable. According to these accords, all monopolists manufacturing farming machinery and equipment should negotiate new prices. So far no one has been doing it and the situation has not changed. Tractor prices are doubling and the prices of machinery and spare parts are rising, while the peasants are steadily losing their trust in the state. How can the government be so irresponsible?

[DZIENNIK LUDOWY] Is it possible to form a farm lobby in our country?

[Slisz] I wish that everyone, including people who work at their desks and in factories, were aware that investments in agriculture are needed if they are to live better. There is a saying that a prosperous countryside means prosperous cities. It is a very wise saying. Let us assume that the countryside is prosperous but the cities are poor. Then the peasants will of a certainty be worse off, because they cannot sell the fruits of the earth for good prices. If, on the other hand, the cities are prosperous but the countryside is poor, no rural dweller will afford to buy the products of the factories. This interdependence must be understood by all the people in our country. Then they will constitute the best and greatest lobby that can be dreamed of by peasants. So far, we have a substantial group of Sejm deputies and senators whose duty it is to watch over peasant affairs in the parliament.

[DZIENNIK LUDOWY] That depends. In mid-July, following a session of the taskforce for the economy and social policy under the Coordinating Commission, the Polish Press Agency reported, "Representatives of the opposition-Solidarity side criticized certain moves of the government, particularly the decision to introduce the so-called minimum procurement prices, taken without trying to influence retail prices correspondingly." That session was not attended by any representative of Rural Solidarity.

[Slisz] Following that communique I contacted Professor Trzeciakowski. He explained that Professor Telmachowski, who would not have allowed the publication of that statement, was not present. We have drawn the proper conclusions from that happening and the membership of that taskforce will certainly be changed. The new taskforce will include representatives of farmers, and they shall of a certainty insist on a minimum profitability of farm production. It simply cannot be otherwise.

[DZIENNIK LUDOWY] Will Rural Solidarity publish its own newspaper?

[Slisz] Yes. It is a weekly, and its name will be SOLIDARNOSC ROLNIKOW INDIVIDUALNYCH [Rural Solidarity, or more precisely the Solidarity of Private Farmers]. Its first, colored, 24-page issue will appear shortly, in time for the Harvest Festival in Czestochowa. Its editor in chief is Slawomir Siwek. I think that its initial circulation of 300,000 copies will be only the beginning of our publishing activities.

[DZIENNIK LUDOWY] Thank you for the interview and let me again congratulate you on your election to the post of deputy marshal of the Senate.

INTRABLOC AFFAIRS

Warsaw Pact Use of Simulators Highlighted

23000210 East Berlin MILITAERTECHNIK in German No 4, 1989 pp 208-209

[Article by Dr B. Gefrom and Reserve Lt Col W. Haensel: "Trainers and Simulators in the Socialist Armed Forces"]

[Text] The military doctrine of the Warsaw Pact nations and the implementation of this doctrine, under which are included the most recent disarmament measures of the USSR, the GDR, and other member nations of the Warsaw Pact, opens up a multitude of new and wide-ranging theoretical questions. It has been unequivocally shown that extensive intensification in military activity is becoming more and more urgent, in order to guarantee at all times a combat capability and defense readiness with sufficient forces and means to match the degree of imperialist threat. Issues of basic military investments in the socialist armed forces are thus becoming increasingly important.

In the last few years, trainers and simulators have found a permanent place in military training as special defense assets. With equipment such as—to mention just a few—the IKF 1 cinema driving simulator imported from the CSSR for the BMP [Ministry for Post and Telegraph], and the complex trainer, developed by a youth research collective under the leadership of Major Neef, the fire control chain for an antiaircraft missile regiment, or the simulator of the R 173 armored radio set, which was created by Reserve NCO Saering's youth innovator collective, significant results have been achieved in military training. In many forces and units the effort to have more and better trainers and simulators is expressed in attempts to develop and utilize such equipment.

1. On the Utility Value of Trainers and Simulators

Trainers and simulators are training equipment. They cannot physically replace the actual technology and armament (the original equipment). Accordingly, supplementary basic assets are required in addition to the objectively necessary combat, command and supply equipment, the procurement of which requires funding.

With the use of trainers and simulators, primarily physical wear on the original equipment is reduced and, simultaneously, considerable savings in expendable defense assets are achieved. But that is not the end of the significance of trainers and simulators for the extensive intensification of military activity. The utility value of these means of training goes far beyond their savings effect. Often, it is only with their help that it is possible to learn to master the advanced military technology in the way required by real combat situations.

If the utility value of trainers and simulators is to be determined, one must start with the immediate use of these special basic assets in the training. Trainers and simulators can be defined as models of systems or systems parts of the original equipment, which, based on their capability of simulating combat situations, contribute to the effective development and maintenance of capabilities, skills, and knowledge as well as to the mastering of the technology and armament. They contribute to the achievement and assurance of the required level of combat and defense readiness. This priority directly follows the intention and purpose of the training. Military economic aspects connected with the production of trainers and simulators must increasingly be taken into consideration.

2. Basic Concept for Trainers and Simulators

In our point of view, it is essential, in accordance with the significance of training with trainers and simulators and in view of the requirement for financial means, to work out a basic concept for the development of a more effective production process for trainers and simulators (Fig. 1). The starting point should thus include both the future military requirements of the military doctrine and future economic possibilities. The concept should be worked out along with the development of national defense, above all with the future deployment structure of the determining military technology and the manpower.

If such mutual relationships and dependencies are taken into account, the production of trainers and simulators will fit organically into the processes of production of basic military assets and thus into the military economic production process. That is an important condition in order to be able to realize the concept and an unavoidable basis for planning.

The following outlines and principles should be taken into account for trainer or simulator production.

2.1. Goal-Oriented Selection of Trainers and Simulators

The goal and choice consist in determining for which technology and armament the trainers and simulators are to be used, and which degree of analogy is the most useful. Selection criteria must be employed for this purpose. The criteria are based on an optimal connection between what is necessary on the training side and what is possible on the financial side. This is already the determining factor for the efficiency of training equipment production: Excess cost may be avoided in particular in its manufacture and maintenance, and it can be effectively used in accordance with the training.

Trainers and simulators need not be procured for all areas of training. That is not militarily necessary and not financially possible. However, they should be used if the corresponding military technology:

- requires extensive and complicated training
- is produced and used by the Armed Forces in great volume and hence makes mass training necessary
- is to have a relatively long period of utilization in the Armed Forces, and

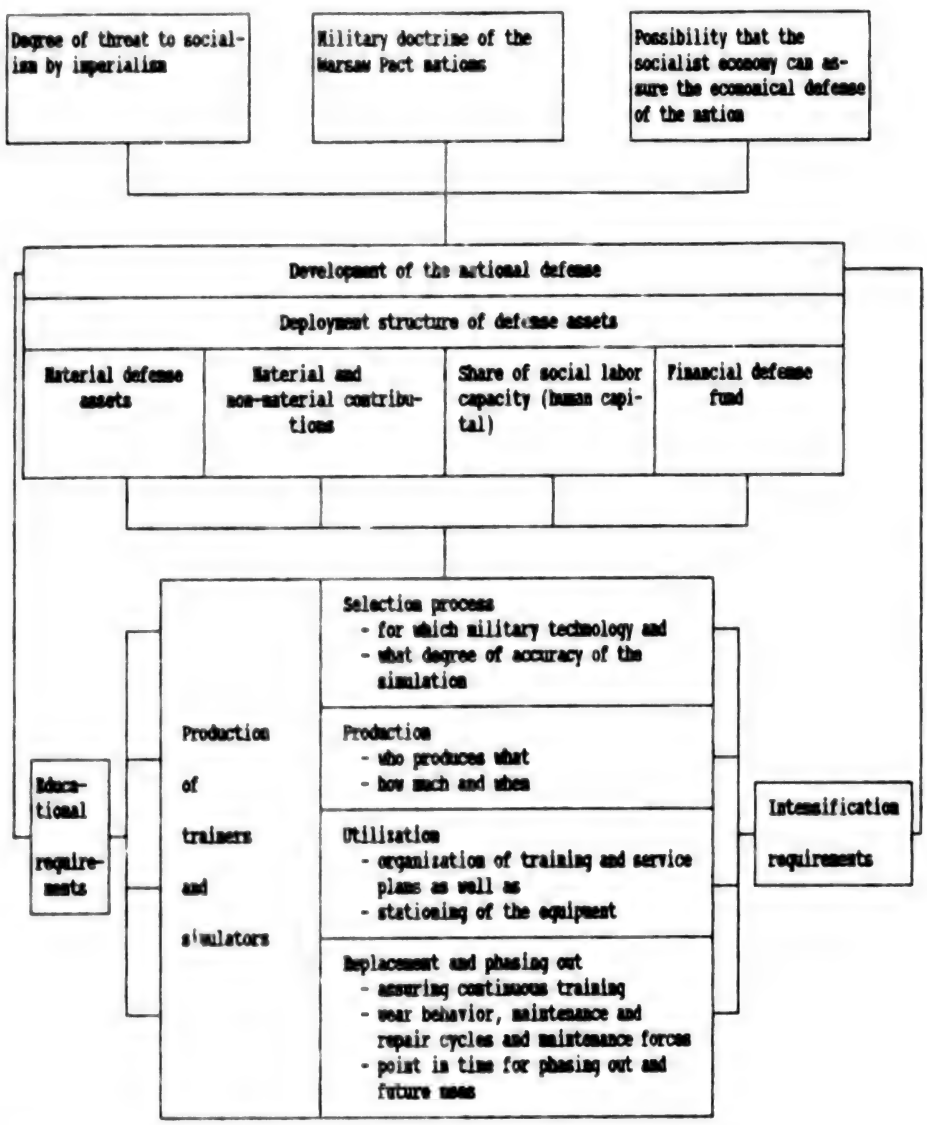

Figure 1

- can only be used under wartime conditions, meaning it is not available for training purposes.

If one or more of these criteria apply, then the decision to use trainers or simulators is justified.

The degree of faithfulness to the original model of a trainer or simulator is determined according to the training objective. In the sense of effectiveness, it must be chosen only as extensive as necessary.

2.2. Efficient Production of Trainers and Simulators

The effectiveness of trainers and simulators is determined by, among other things, whether they can be economically produced and at which point in time, from the aspect of when the original equipment will begin to be used, they are delivered.

The aim should primarily be for the manufacturer simultaneously to include the requested (by the Armed Forces) trainers and simulators in his delivery, or even ahead of time, in the form of basic models of hardware and software. He has available to him the necessary technique and technologies, experienced and qualified labor, raw materials, equipment, and specific additional preconditions in order usually to be able to undertake individual or small-series production in an economical manner. Further, the formation of special fields for the production of such means of training appears to be an efficient solution.

Objective limits have been set for the establishment of such capacities in the Armed Forces, which in view of the increasing demands on the equipment and the efficient use of limited funds and forces will become even

narrower. The present practice of widely different forces and units building many of their own trainers and simulators increasingly turns out to be inefficient. It would be worth considering whether it is not more practical to establish central capabilities for construction with rationalization means in the military services—as has already begun in the Air Forces/Air Defense. For example, individual capacities could be concentrated and used efficiently in order to supply deployment-specific assemblies and components as well as replacement parts and to maintain worn military equipment and trainers or simulators. This requires close cooperation between the construction facilities that use rationalization means, in particular with the maintenance facilities.

2.3. Assuring Optimal Utilization of the Trainers and Simulators

The combat capability and defense readiness required in the interest of implementing the military doctrine forces us to shift the training even more than before to trainers and simulators. For this reason the principle of utilizing trainers and simulators as much as possible instead of the original equipment, in order to achieve the required level of training in a short time, is valid as a basic principle for using these means of training.

This has consequences for the organization of the entire training sequence for members of the Armed Forces. High-capacity trainers and simulators should be deployed in such a way as to include a large application area and if possible permit 3-level utilization. In this manner the number of trainers and simulators required can also be limited.

2.4. Efficient Maintenance of Trainers and Simulators

In order to assure purposeful training, it is also important to adapt the maintenance and repair capacities of the Armed Forces and in the national economy to the production specifics of the trainers and simulators. A precondition for this is a thorough analysis of the typical physical and instructive wear behavior of this equipment, in order to determine appropriate maintenance and repair cycles. Although trainers and simulators resemble the original equipment, specifics occur due to other utilization conditions, which must be taken into account.

The maintenance of trainers and simulators requires a large quantity of highly qualified labor. Such a labor force, which possesses the requisite qualifications based on their civilian profession, will be employed in the Armed Forces in a more determined manner than before.

The study of trainer and simulator production continues to gain importance from the aspect of military economy. A complex approach is unavoidable, because effective production of this equipment can only take place in close cooperation between the Armed Forces and the national economy. The economics of the basic military assets include economic use and maintenance of trainers and simulators. Handled correctly, they form a significant factor in the extensive intensification of the military activity.

CZECHOSLOVAKIA

Convertibility of Czechoslovak Currency: Means, Goals, Results

24000159b Prague FINANCE A UVER in Czech No 5, 1989 pp 289-297

[Article by Eng Milena Horcicova, candidate of sciences, Study-Research Center of the Federal Ministry of Finance: "Convertibility of the Czechoslovak Koruna: Means, Goal, and Result"]

[Text] The words "interchangeability" or "convertibility" are heard ever more frequently in recent times in connection with the Czechoslovak koruna, not only in theoretical contributions but in various official restructuring materials; this topic has gained considerable publicity even in the communications media and has, thus, naturally attracted the appropriate amount of attention on the part of the broadest public.

On the one hand, it is a positive development that the topic of convertibility of the currency found its way out of the long-time "semi-illegality" during which this problem was addressed by theoreticians (even though most likely from positions of integration), but in practical terms there was a sort of silent expectation that the lack of convertibility of the currencies of socialist nations was a secondary question (as long as it is not an actual priority matter). This problem vexed us more merely as citizens who could not realize their more or less prosaic interests, particularly with respect to tourism. If today the broader public is beginning to understand that the question of the convertibility of the Czechoslovak koruna has a deeper significance for our economy, then it is only possible to welcome this shift.

On the other hand, however, this publicity is accompanied by serious dangers. Unfortunately, this is not the first time that a "new" term has appeared in our economic dictionary and we operate with it as if it were some kind of magic device which would make it possible, without effort, without pain, and pretty much automatically to open the doors to the solution of all our problems. To the extent that this does not become such a magic device, then we like to adopt other "fashionable" slogans without analyzing why the previous one did not work. This then leads to the gradual devaluation of administrative processes and thinking and, in our conscience, their develops a spontaneous a priori lack of confidence with regard to overly frequented concepts.

The declension of the word convertibility in all grammatical cases results in the use of this concept in the most varied contexts and thus frequently gives rise to a lack of clarity regarding its hierarchical standing. It is not clear whether this is a global problem or a partial problem which is naturally key from the standpoint of approaching the solution of this problem and even predetermines the success of the outcome.

The springboard for the correct placement of the question of convertibility of the Czechoslovak koruna into the context of contemporary events is presented by the seventh session of the CPCZ CC, dated December 1987. From its conclusions, it is clear that the convertibility of the Czechoslovak currency is not an empty slogan, but a completely seriously conceived and enunciated program. The thesis on raising the task of the currency in the economy also makes it clear that this is not some kind of subproblem which would be solvable within the framework of another problem or in parallel with it, but rather that it is a uniting and comprehensive problem.

We consider these conclusions, or rather their activation, to be all the more key since the "Directives for the Comprehensive Restructuring of the Economic Mechanism" provide a certain shift in this direction by the fact that in classifying tasks, the hierarchization is considerably mixed and convertibility of the Czechoslovak koruna can be perceived on the same level as, for example, foreign exchange standards. It is, thus, very important that the Government of Czechoslovakia ordered the working out of a concept for the creation of conditions to make a transition to a unified foreign exchange rate and the convertibility of the Czechoslovak koruna, something which can be perceived as the realization of the program enunciated by the seventh session of the CPCZ CC.

It is not only obvious to specialists that working out such a concept and its realization is a task which is highly demanding and responsible. The principal sponsors for working out are the Federal Ministry of Finance and the State Bank of Czechoslovakia. It is, thus, appropriate that we are opening up the problem of the convertibility of the Czechoslovak koruna, or the ways of achieving it, precisely on the pages of our specialized journal. The evaluation of this serious economic problem in all its aspects, together with constructive conceptions regarding its solution should become the content of future articles by our theoreticians and practitioners, whom we, hereby, invite to join the discussion.

On the Concept of the Convertibility of the Czechoslovak Koruna

In the economic literature, the concept of currency convertibility differs, in other words, this term is frequently used inaccurately and ambiguously. This is not caused only by the fact that we are dealing with a historical category and one which, consequently, takes on various forms. An important role is played here particularly by the positions from which one starts to explain the concept of convertibility. It is very difficult, and perhaps even impossible, to attempt a kind of "synthetic" definition which would fully capture the meaning of currency convertibility without leading to one-sidedness or to simplification. Under those conditions, it is completely understandable that many distorted concepts, illusions, or even aversions exist in the

general subconscious. Let us, therefore, attempt to capture those aspects which could influence the discussion on the convertibility of the Czechoslovak currency.

Most frequently, there is an identification of the problem of currency convertibility with the standardizing aspects of its introduction or functioning. Attempts at definition generally result in outlining convertibility from the standpoint of the utilization of a certain currency for purposes of monetary fulfillment within the framework of external economic relations. We also encounter brief definitions such as "legally guaranteed opportunities for the bearer of an appropriate currency to exchange it according to his will and upon request for another currency" all the way through definitions which stress the need for currency equivalents at a certain exchange rate through the broadest definitions, including those which differentiate between full convertibility and convertibility which is restricted in one way or another.[1] The legal basis for the concept of convertibility is contained in Article VIII of the Statutes of the International Monetary Fund and in the definition adopted at the 25th session of the Permanent Commission for Foreign Exchange and Financing of the CEMA Countries.[2]

These legal concepts can, in considering the convertibility of the Czechoslovak currency, appear as negatives because they conceal its economic substance. This is so, on the one hand, because they create the impression that currency convertibility can be decreed, "introduced" by a legal action (without it being explicitly clear that this "introduction" is only a reflection of certain economic conditions which must be achieved) and thus express the illusion regarding the possibilities of achieving this in a short time or within an arbitrary time frame. Moreover, even some disorientation is provided by the fact that the legal provisions overly concentrate attention on the question as to what type of convertibility to strive for. And at that, it is not possible to completely separate internal and external convertibility (of course, legally this can be done, but economically there exists a dialectic connection and it is not possible to clearly state that one or another type of convertibility would be easy to achieve), one cannot even set absolute limits on the relative independence of the movement of current and capital transactions (at the present time, much of this intersects considerably in the economy) and, in the final analysis, it is even illusory to build on convertibility only within the framework of the region (this would tend to solve the question of improving the accounting system, but not the question of convertibility per se).

In our view, the convertibility of the Czechoslovak koruna as a goal should be directed at internal as well as external convertibility to a minimum extent for the area of current commercial and noncommercial payments (and partially even for the area of capital transactions), without territorial affinity to any particular currency region. Under conditions of a socialist economy, there can obviously not be any so-called full convertibility unrestricted by anything and a certain degree of state control over this convertibility will be exerted. However, this should be such a method of management which would not disrupt the application of the economic essence of currency convertibility.

In considering the convertibility of the Czechoslovak koruna, it is sometimes possible for identification or superimposition to occur with respect to the convertibility of a currency having a key or reserve position or a currency which is actually at the forefront of world currencies with respect to its quality (that is to say, a currency which with some of its advantages is segregated from the mass of the other convertible currencies and is widely used in international transactions and held as a reserve currency).[3] Based on the economic potential of the country alone, it is logical that Czechoslovakia cannot aspire to this task and will not be setting this goal for itself. However, this fact does not detract from the importance attached to the convertibility of the Czechoslovak currency, both from the standpoint of the internal economy and also with respect to its inclusion in the international monetary system (where it has already been used in transactions involving selected countries as a result of its stability).

We consider the most serious misunderstanding which could arise in judging the convertibility of the Czechoslovak koruna to be the concept under which convertibility would somehow be only a matter for relations with foreign countries. Certainly, from the standpoint of the view held by individual countries with respect to the system of currency convertibility this is a matter of the organization and functioning of a system of monetary exchange under the payment restrictions created in the given country and an economic and legal mechanism, as well as a matter of international obligations which the given country has taken on by this system. Currency convertibility is not only a one-sided action of the given state, but the principles of currency convertibility are an element in the international monetary system.

However, in conjunction with the question of the convertibility of the Czechoslovak koruna as a currency of a socialist state we must draw attention to the fact that problems survive here which are manifested not only in the fulfillment of the external functions of money; what is involved is the very fulfillment of the functions of money within our economy, that is to say, the fulfillment of the internal functions of money. We can, therefore, not strive for the convertibility of the Czechoslovak koruna without solving both tasks simultaneously within the meaning of "the monetarization" of our entire economy. Of course, this brings the problem of convertibility of the Czechoslovak koruna into immediate contact with the strategy of development and the entire functioning of the socialist economy with its system of planning and management.[4] We, therefore, perceive the convertibility of the Czechoslovak koruna as a status when money becomes the criterion for decisionmaking on the part of economic subjects, when the holding of money facilitates the acquisition of goods and services in the domestic and foreign market according to individual considerations and without supplemental restrictive

incursions and conditions in a situation when there is no functional separation of individual subjects of the national economy from the external environment.

In conjunction with the convertibility of the Czechoslovak koruna, stress is placed on the goods basis of money; currency convertibility is identified with exchangeability for goods. It goes without saying that currency convertibility in and of itself makes no sense as long as it is not connected with access to goods and services for the domestic and foreign holder of a given currency. In general, this is already clear from the very standing of money as a general equivalent. However, it is not possible to understand the question in such a way that we must wait for currency convertibility until the moment the economy begins to produce quality goods and services which are generally in demand on its own and produce these goods and services in sufficient quantities. What we are dealing with is a two-sided process—we must achieve convertibility of the Czechoslovak koruna through the exchangeability of goods and services, but, at the same time, we shall not achieve this exchangeability for goods without convertibility of the currency. Thus, this problem is directly connected with the utilization of value relationships and with the expectation that a market exists which makes it possible for the holder of money to realize this money. Naturally, in the final goal status we must strive for such a convertibility of the Czechoslovak koruna which would make it possible to acquire goods and services while realizing the comparative advantages, in a situation where our economy will gradually be overcoming the gap separating us from world productivity and output.

From what has been indicated, it is clear that we understand currency convertibility in the broadest meaning of the word as a characteristic of a certain functional quality of the economy, which, naturally, does not mean so much the proclamation of the convertibility of the Czechoslovak koruna, but rather primarily signifies a problem involving the fulfillment of conditions which will make it possible to achieve this required quality.

Benefits and Risks of Currency Convertibility for Our Economy

The fact that currently the focus of discussion lies not in whether or not the convertibility of the Czechoslovak koruna should be, but rather how it is to be achieved, stems from a clarification of two fundamental questions. First, it is a matter of recognizing the need for currency convertibility for purposes of the future development of our economy; second, it indicates that the concept regarding the incompatibility of currency convertibility with the principles of socialist management has been overcome.

How does currency convertibility benefit the economy? Briefly stated, it is a matter of making a transition from autarky to the principles of functional openness in the economy and, thus, the absorption of the impulses leading to intensification, increased efficiency and adaptability of the given economy. Specifically, the significance of the convertibility of the Czechoslovak koruna for our economy lies in the following:

- It creates an objective monetary yardstick (in the form of the Czechoslovak koruna) for the reproductive process and accounts for the structural rebuilding of the national economy.
- It makes it possible for enterprises to make calculations and decisions under the influence of the world market and, at the same time, forces them to come to grips with world technical and economic levels of their products and services.
- It eliminates barriers restricting international exchange (which are particularly the result of using a system of bilateral or multilateral clearing agreements).
- It makes possible the transition from administrative methods of settling payment balances to economic methods, particularly on the basis of balanced exchange rates.
- It leads (on the basis of the above-named aspects) to the full and efficient inclusion of the Czechoslovak economy into the international division of labor as well as into socialist economic integration based on comparative advantages in a dynamic conception.

It is possible to object that the majority of the listed advantages can be realized even under conditions where currency is not convertible if realistic foreign exchange rates are used (realistic with respect to establishment of their levels and the room they will have in exerting influence upon real economic processes). It could be said that this simulated "internal" convertibility can result in certain effects, but it cannot be considered as the target status. What is important is not only the "ideal" interconnection between the domestic and external economy (with the assistance of the foreign exchange rate), but particularly a "real" (physical) interconnection which can only be facilitated by convertibility. In that case, as well as in the case of a "simulated" convertibility, it is necessary to allow a certain degree of "physical" contact, albeit in part simulated, because currency convertibility helps to make the foreign exchange rate realistic. In addition, we are, after all, interested in that element of convertibility which would impart a special quality to our currency in the substantive sense, that is to say, provided with the opportunity to actually acquire the desirable countervalue with it—be it in goods, services, production factors, or in other currencies.

For the Czechoslovak koruna, convertibility would thus mean the full development of its functions of money—internal and external—and would undoubtedly also represent a psychological positive in the sense of increasing its international reputation. However, we cannot expect convertibility of the currency to provide automatic solutions to all problems connected with the development of the national economy and with the economic balance. The introduction of Czechoslovak currency convertibility is not completely free of any negative impacts and of certain risks.

The opening up of the national economy brings with it not only the influence of certain negative factors in the world market (against which they can be defended with the aid of suitable instruments), but it means particularly the opening up of the economy to the influences of sharp competition. A discussion on the topic of convertibility thus brings with it the answer to the question of advantages provided by free trade and protectionism. It is possible to anticipate conflicting situations, particularly with respect to necessary incursions into the pricing system, including retail prices and into the pension situation of the populace, in the gradual reforms of the tax and subsidy system, in the express application of a balanced fiscal policy (in the first phase clearly particularly restrictive), in the realization of extinguishment programs and liquidations of inefficient production processes connected with the requalification and transfer of manpower. Other conflicts will occur in the overall commercial payments sphere, particularly with respect to freely convertible currencies, where the assurance of imports for the modernization of progressive sectors, satisfying the needs of the domestic market, increasing funds for travel abroad while eliminating inefficient exports can exert pressure on the temporary increase in the foreign debt connected with demanding debt service. Clearly, not even the area of balance of payments in relationship to developing countries and socialist countries will be without conflicts—albeit of another kind.

In every case, the transition toward convertibility will cause certain expenditures based on structural adaptation in addition to advantages, will result in certain costs on the macroeconomic level by increasing the sensitivity of the economy to various external influences (fluctuations in employment, the possibility of importing inflation, the loss of the possibility for the autonomous establishment of some goals pertaining to economic expansion, etc.). This is a serious burden with which not every economy is capable of automatically coming to terms. The transition toward convertibility must necessarily be connected with the reevaluation of the existing hierarchization of socioeconomic priorities, the removal of "taboos" from such categories as prices and pensions, and, last but not least, with the rejection of the self-serving chase after economic growth; the decision as to whether to have or not to have convertibility thus even has political dimensions.

The entire transition toward the convertibility of the Czechoslovak currency will be connected with conflict; this will be most clearly manifested particularly during the early years that this path is embarked upon (when actually the "switches will be thrown"). The conflicts will not even end when the desired status is achieved, that is to say, at the time convertibility of the Czechoslovak koruna becomes a fact. Currency convertibility is a sensitive instrument of economic policy which the economic center will have to learn to handle and which places high demands upon it.

The drawing of attention to the risks is not intended to counsel against the path toward convertibility; on the contrary. Success in realizing the transition toward convertibility is connected with the fact that all conflicting problems will be known (it will be clear as to what this means to the economy and even the appropriate quantification of the various impacts will have been carried out) and their solution will be readied. If we consider that for our economy—if it does not wish to play second fiddle—the way toward convertibility, just like the way toward integration with the rest of the world, is the sole correct way, then the solution does not call for abandoning the program of convertibility under the weight of the risks, but calls for a time-phased procedure connected with continuous analysis of the economic processes and their confrontation with socioeconomic intentions so that the economy could manage to carry the weight of one or another of these steps.

Conditions for Achieving Currency Convertibility

If we proceed on the assumption that the problem of currency convertibility is not a problem involving its proclamation, but, rather, is a result of a certain process in which convertibility is achieved, the urgent question arises as to what type of conditions must actually be fulfilled in this regard. In answering the question, the danger arises that we may find ourselves in a vicious circle: convertibility cannot be brought about until there is a balance, until prices are in order, until foreign exchange rates are in order—and we could identify a number of other parallel and divergent factors. The problem, thus, constantly returns to us because one factor is tied in with another. We believe that, in order for us to identify the general conditions facilitating the attainment and maintenance of currency convertibility at all, it is necessary to understand these conditions not in absolute terms, that is to say, that they must, at a given moment, be fully implemented to the maximum extent of their quality, but, rather, as a systems capability and we must, moreover, shape these conditions through the overall tendency within the given economy. The degree which can be then successfully achieved ther also determines the attainment of a certain specific degree of currency convertibility.

We consider the radical restructuring of the contemporary "traditional" economic mechanism to be the fundamentally necessary condition for achieving convertibility of the Czechoslovak currency. The administrative-directive system of planning and management brings about a systemic lack of convertibility for goods (by limiting to a minimum the role played by money in the economy, or the room for individual decisionmaking, with the exception of the population sector, or, better said, the room for individual decisions is replaced by a more or less balance-quota system for allocating resources and for the coordination of economic activities) and simultaneously asserts the isolation of the domestic currency from international currency, which gives rise to the absolute autonomy or rather irrationality of domestic prices (eliminating the immediate influence of the world market upon the formation of the production structure with its impacts

upon the quality of goods and upon the innovation capability). This system not only makes the convertibility of the currency impossible, but actually does not even require it, it stands in contradiction to it.[5]

The essence of restructuring the economic mechanism must be the supplanting of administrative central management and planning by a predominantly decentralized allocation of resources and the coordination of economic activities in line with criteria of efficiency (derived from the conditions of the international division of labor) and allowing for the functions of the marketplace—naturally, with an active role played by the newly structured economic center. In other words, it is essential to take into account the principle that enterprises are the fundamental link in the national economy, are actually independent economic subjects with all rights, but also with all responsibilities. Thus, it is a logical prerequisite for enterprises to have the opportunity to make independent decisions regarding what is to be produced and to produce it and for them to operate on the principle of self-financing. This is connected with the demonopolization of the economy, with the possibility, under certain circumstances, of shifting from one branch of the economy to another, with the liquidation of inefficient enterprises and activities. On the other hand, the center must minimize its direct incursions into economic processes and predominantly utilize the parametric method of management, using value instruments in realizing its goals, which include the implementation of a state structural policy.

In and of itself, this condition would not suffice to bring about the convertibility of the Czechoslovak currency. In order to create even adequate conditions (that is to say, to make the economy dynamic and to provide it with a tendency toward the establishment of balance with respect to the balance of payments over a longer period of time and at the same time provided with the appropriate quantities of foreign exchange reserves), an adequate economic policy is also essential.

Convertibility of the Czechoslovak Koruna and the Restructuring of the Economic Mechanism

As has already been stated, we perceive the restructuring of the economic mechanism as a completely essential condition to permit the achievement of the convertibility of the Czechoslovak currency at all. However, this is merely one dimension of the relationship between convertibility and the restructuring of the mechanism. In terms of its relationship with the economic mechanism, convertibility is simultaneously a means for realizing the former's restructuring. If we want to realize the restructuring of the economic mechanism, we must ease the process of the gradual monitorization of the economy, supported by the fulfillment of the internal function of money while simultaneously fulfilling the external functions of money. Money must become the framework for decisionmaking on the part of economic subjects (the center as well as the microsphere), it must not "chase after substance." Convertibility within the framework of the functional openness of the economy will facilitate the utilization of relative advantages inherent in external economic relationships, will facilitate direct contact with world value yardsticks and their penetration into the overall internal reproductive process.

The new economic mechanism, or rather its functioning, actually assumes the convertibility of the currency. If we cannot "introduce" it immediately, we must at least simulate it. We perceive this as the process of gradual introduction of the elements of convertibility, as the situation allows it or as the economy will tolerate it in such a manner that this process will culminate in the final status of the convertibility of the Czechoslovak koruna. In other words, we can say that, in this sense, convertibility of the Czechoslovak currency is also the goal of restructuring the economic mechanism—that it is a specification of its result.

In other words, the relationship between convertibility of the Czechoslovak currency and the restructuring of the economic mechanism is a mutually interdependent process, in which the lack of success at one pole will not permit achievement of success at the other pole. In other words, it is not possible to wait until one or the other is "taken by assault"; it is necessary to "start" the processes of restructuring the economic mechanism and the achievement of convertibility immediately, under existing conditions, without making excuses regarding the initial imbalance and without deferring the necessary measures. Clearly, it is not possible to proceed by the "shock method," that is to say, by making radical and impulsive changes; advances must be phased over a longer time horizon. Nevertheless, it is necessary to proceed with an appropriate amount of vigor and intensity so that perceptible results could be obtained as early as the beginning phase. At the very least, the contributions to the economy must be as obvious as the costs which will be connected with this process so that the majority of the populace would perceive that there are more positives than negatives and would actively support the restructuring of the economic mechanism, the opening up of the economy, and the achievement of convertibility.

If we think about the above-named relationships, the urgent question arises as to whether the progress of work thus far performed with regard to restructuring the economic mechanism is actually consistent with the program to achieve convertibility of the Czechoslovak currency. Do the already adopted laws such as the law on enterprises, or the law on economic contacts with foreign countries actually allow an enterprise to engage in foreign trade activities without administrative decisions? Does the procedure used in restructuring the production base provide a guarantee for the demonopolization of the economy? Will the new law on national economic planning be merely another form of balancing and limiting the independence of enterprises? Will important instruments, such as prices, foreign exchange rates, taxes, subsidies, etc., be shaped in such a form as to create a parametric environment? The program of

restructuring is accelerating and the question remains as to whether some of the measures which have already been accepted or which are in the process of being accepted within the framework of restructuring the economic mechanism might require correction in realizing the program of transition toward convertibility of the Czechoslovak currency.

Convertibility of the Czechoslovak Koruna and Economic Policy

We consider the attainment of convertibility of the Czechoslovak currency in its relationship to economic policy to be the basic goal with respect to the medium-term and long-term time horizon. The program for making the transition toward convertibility has an adequate cross section and is sufficiently strict in terms of economic policy measures and, thus, unites the efforts to balance economic development from the standpoint of the macroeconomic viewpoint, as well as uniting efforts to intensify the economy and increase its efficiency from the microeconomic standpoint. The attainment of convertibility with respect to the Czechoslovak koruna is the culmination of the process of intensification and the beginning of an economic policy under conditions of intensive development.

Thus, we perceive the transition toward convertibility of the Czechoslovak currency as the result and culmination of a long-term process in which, in contrast to the starting status of the Czechoslovak economy, express shifts must occur. The attainment of these necessary shifts is the task of economic policy, the movement of which must be started within the corridor of convertibility. The question of introducing the convertibility of the Czechoslovak currency is, thus, not merely a matter of foreign exchange or fiscal policy, but becomes the axis of all economic policy.

We consider measures in the sphere of pricing policy, fiscal policy, financial policy, foreign exchange and exchange rate policy, planning and management of external relationships and the restructuring of the CEMA currency mechanism to be of principal importance.

Pricing policy must be aimed at strengthening the influence of the world and the domestic market upon the formation of prices and upon the interconnection of the sphere of wholesale prices, bulk-buying prices, and retail prices; currency policy must be aimed at creating the optimum quality and quantity of exchange in the interest of attaining economic balance (which, in the first phase, represents a primarily restrictive concept); efforts should be made to develop the money market as a fundamental element of horizontal redistribution processes, based consistently on efficiency; in financial policy, an active tax and subsidy policy should be realized, connected with limiting the redistribution processes and aimed at the balanced impact of the state budget upon the economy; in foreign exchange and exchange rate policy, the efficiency of external relationships should be influenced by a realistic exchange rate for the Czechoslovak koruna, by the active utilization of foreign credit, by the creation of foreign exchange reserves, and by improving the foreign exchange liquidity of the banks.

In the sphere of planning and management of external relationships, efforts must be made to strive for the liberalization of foreign trade; in the area of restructuring the currency mechanism within CEMA, priority orientation should be aimed at interested countries striving to expand the convertibility of their currencies and coordinated measures should be worked out in addressing the restructuring of the CEMA currency mechanism as well as in cooperating with noninterested countries and, in this type of work, procedures which are consistent with the program of convertibility pertaining to the Czechoslovak koruna should be adopted.

It is naturally easier to point out the general principles by which the individual areas of economic policy should be guided than it is to work out an actually complete conception or program for the transition toward the convertibility of the Czechoslovak currency.

Given the intertwined nature of causal relationships, prerequisites, and conditions for convertibility, the hierarchization and coordination of steps toward convertibility which will be accomplished in the individual areas of economic policy is extremely important. What is involved here is to see which of these measures are decisive and, moreover, which of the measures it is possible (in view of the status of the economy) and essential (in view of the need to achieve a certain degree of convertibility) to accomplish sooner—at the beginning of developments—and which to accomplish in subsequent sequence so that the program of convertibility can be fulfilled. In other words, what is involved is the formulation of mutual interrelationships and feedback ties in such a way as to prevent a wandering around in circles or the crushing of the program of transition toward convertibility, but, rather, in such a way as to facilitate the origination of a truly active program for the transition toward convertibility.

At the present time, in other words, what is involved is primarily the specification of measures or steps which are to be accomplished in the individual phases of the transition toward convertibility of the Czechoslovak currency. This specification is also necessary because the possibility for controlling the realization of this program through democratic institutions and the broad public should exist. It is, thus, essential to create the necessary prerequisites for this, particularly through the medium of public information regarding all essential economic factors and to promote the continuing specialized cultivation of economic knowledge among the public and its elected representatives. A discussion in the pages of the journal FINANCE A UVER should contribute both to the formulation of the program and also to its promotion.

Footnotes

1. Differentiation by subject, object, and territory is the most frequently used. According to the approach used by individuals to acquire foreign currency and to use it, a differentiation is made between internal convertibility (that is to say, a system of measures governing the access of foreign exchange-authorized domestic entities to foreign currencies) and external convertibility (that is to say, a system of measures governing the access of foreign exchange-authorized foreigners to domestic currency and making it possible for them to create invoices and claims in that currency and to meet their obligations). According to objects or rather types of transactions, a differentiation is made between convertibility for current wages and for the area of capital transactions. By territorial scope, convertibility is then perceived as a universal (on an all-world scale), or regional (with respect to a certain grouping or even only among a limited number of countries within the framework of a grouping—in practice, this is more akin to transferability than convertibility).

2. We can obtain a definition of convertibility according to the International Monetary Fund by compiling the provisions of three parts of Article VIII. Whereas Part 2 presents an obligation to cease and desist from restricting convertibility to current payments ("Without prejudicing the provisions of Article VIII, Part 3b, and Article IX, Part 2, no member shall, without the approval of the Fund, impose limitations on payments and transfers in current international transactions."); Part 3 urges cessation of discriminatory practices, Part 4 is actually a more narrow definition of convertibility ("Every member shall purchase the remainder of his currency which is held by another member, provided that member who is requesting the purchase proves that: 1. the remainder set aside to be purchased was acquired recently as a result of current transactions or, 2. that its exchange is needed to pay for current transactions."). The adopted formulation of the SKDF reads as follows: "The mutual convertibility of socialist currencies of CEMA member states is understood to mean the possibility of exchanging monetary sums under stipulated conditions, sums which were acquired as a result of commercial, noncommercial, and other operations expressed in one currency (collective or national) for equivalent sums in other currencies according to mutually agreed upon foreign exchange rates or coefficients."

3. In fact, this is largely a concept of a "freely usable currency" in the sense of Article XXX of the IMF, "which, according to the decision of the Fund 1. is actually widely used for payments in international transactions and 2. is the subject of extensive trading in the principal foreign exchange markets." It is possible to state that of approximately 60 currencies which have been declared as convertible, only 8-11 can be considered as actually used and, in fact, the principal weight in recent times is concentrated on the U.S. dollar, the West German mark, and the Japanese yen.

4. In view of the fact that the convertibility of national currencies has thus far been achieved in capitalist countries where a market system was already functioning, it is logical that the achievement of currency convertibility there was solved in a different position than the one from which we shall have to approach.

5. The fact that none of the socialist countries has achieved the convertibility of its currency under conditions of the traditional type of administrative-directive system of management is certainly not a coincidence; neither is the fact that the goals set for the convertibility of the transferable ruble and of the national currencies of the CEMA countries outlined in the Comprehensive Program dated 1971 have not been successfully realized.

Progress of Foreign Trade Enterprise Experiment Viewed

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[Article by Eng Eva Prochazkova: "Experiences Involving the Comprehensive Experiment in the Area of Foreign Trade"]

[Text] Even though the period of the effectiveness of the "Comprehensive Experiment To Increase the Independence and Responsibility of Economic Organizations for Efficient Development" has been too short for the time being to permit the formulation of fundamental conclusions, it is already now possible to evaluate the effectiveness with which the measures of the experiment impact on the economies of economic organizations in the area of foreign trade in metallurgy, engineering, and electronics.

The goal of the experiment realized in 15 economic organizations of the Federal Ministry of Metallurgy, Engineering, and Electronics is to verify, under realistic conditions, some of the principles of restructuring the economic mechanism. This is primarily a question of increasing the independence, responsibility for efficient development, the satisfying of the requirements of society, the full application of the principle of cost accounting and self-financing, of intensifying the interest in long-term results of the work of collectives, and verifying new principles of material incentives in the results of foreign trade, as well as in new forms of economic and organizational interconnections between producers and foreign trade organizations.

A total of 15 organizations in the area of jurisdiction of the Federal Ministry of Metallurgy, Engineering, and Electronics are applying the principles of the comprehensive experiment which verifies the increasing of independence and responsibility of economic organizations for efficient development on the basis of approvals granted by the Government of Czechoslovakia. Of this number, eight organizations have been implementing the comprehensive experiment since 1 July 1987 (the economic production unit for the Metallurgical Secondary Production Enterprise at Prague, the CSVZ at Milevsko, the

Heavy Machine Tool Enterprises at Martin, the Engineering Technology Plants at Prague, the Agrozet Concern at Brno, the Elitex Enterprise at Liberec, the Tesla-MLP Plant at Brno, and the Tesla, National Enterprise, at Holesovice); another seven organizations have embarked upon the experiment as of 1 January 1988 as a result of the decision of the Government of Czechoslovakia: the VHJ Chepos at Brno, the Ore Mines and Magnesite Plants at Bratislava, the Sigma Enterprise at Olomouc, the Automation Data Processing Technology Plants at Prague, the Tesla-Electric Power Supply Service Enterprise at Roznov, and the Technomat, National Enterprise, at Prague.

Of the above-listed 15 experimenting organizations, only 6 are applying the experiment in the area of foreign trade: the Agrozet Concern at Brno, the Elitex Enterprise at Liberec, the CSVZ at Milevsko, the Tesla-MLP Plant at Brno, Metallurgical Secondary Production Enterprise, and the Tesla, National Enterprise, at Holesovice. The nine remaining economic production units have thus far remained uncommitted to the comprehensive experiment in the area of foreign trade; this indicates that the experiment in these organizations is not being applied comprehensively and that it is precisely the area of foreign trade which represents a particularly sensitive area with respect to the implementation of the principles of the experiment in practice.

The realization of the experiment in the area of foreign trade is not proceeding smoothly in organizations under the jurisdiction of the Federal Ministry of Metallurgy, Engineering, and Electronics, neither from the standpoint of methodology nor from the standpoint of organization. In the area of the methodology of the experiment, additional partial changes pertaining to the rules of the experiment have occurred which have led to the violation of the principle of longevity. Let us list the change in the system of entitlements to stimulational surcharges pertaining to exports, which have been manifested in a shortage of investment resources within the developmental fund (where the resources for the fund of material stimulation of exports were planned), as well as in the curtailment of resources to cover the requirements of additional funds; furthermore, let us cite the directive to increase exports, decrease the planned exports of turnkey projects to nonsocialist countries, changes in the foreign exchange rate adjustment factor as a result of lower profits achieved in foreign trade. The most interesting changes are represented by the methodological change in the formation of the foreign exchange standard beginning in 1988 or in 1989 and the introduction of maximum subsidies (minimal levies) to the centralized foreign exchange source. It is certain that each of the above-listed changes had its justification, since it was caused by an economic necessity (a change in the creation of the foreign exchange standard as an expression of the need to solve the imbalance in the balance of payments and tension between resources and requirements); nevertheless, the listed supplemental incursions into the rules of the experiment have led to a change in the economic conditions under which organizations approached its realization. From the viewpoint of successful realization of the principles of the experiment in foreign trade, it is, therefore, essential that its principles do not continue to be changed through the end of 1990.

On the basis of a virtually 2-year period of realization of the experiment, it is still too soon to form definitive conclusions with respect to its impact; nevertheless, it is possible to evaluate some of the practical experiences. Attention is focused on the effectiveness of the principles of the experiment in three pivotal areas of the foreign trade economy of economic organizations: in planning, in the creation of foreign exchange resources, and in the creation of economic results based on foreign trade.

Planning

The method of establishing the planned tasks of involving economic organizations in the area of foreign trade according to the principles of the comprehensive experiment is, in and of itself, a determining factor which outlines the extent of their jurisdiction and responsibilities in this area.

In the area of the foreign trade plan pertaining to economic organizations, the rules of the experiment constitute a change: While under the current system of management, the planned indicators which are decisive in the control and evaluation of the plan include export volume indicators expressed in FOB prices [freight prepaid] for goods shipped to socialist and nonsocialist countries, as well as the factors indicating the magnitude of export efficiency (the comparative price indicator), exports and imports expressed in FOB prices with relation to socialist countries, and, alternatively, the balance of exports and imports expressed in FOB prices or the foreign exchange standard are the binding tasks within the framework of the experiment in foreign trade. Exceeding the export or import plan with respect to socialist countries is only possible with the agreement of the Federal Ministry of Foreign Trade. Effective 1 January 1989, there is a change in the binding indicator pertaining to relations with nonsocialist countries: Use is made of the indicator of the foreign exchange standards and the minimum levy of foreign exchange funds to the central foreign exchange resource fund is stipulated (in absolute values), based on foreign exchange revenues for organizations in which exports predominate over imports and maximum subsidies of foreign exchange funds from the central foreign exchange fund resource are decreed for organizations in which imports predominate over exports, based on minimal foreign exchange intakes. The above change is not only applicable to experimenting organizations, but is realizable on a national scale.

With the goal of assuring a tie-in between the export and import tasks of production organizations and foreign trade organizations, the rules stipulate that foreign trade organizations will take over the planned tasks of exports and imports without any kind of adjustment made by the

experimenting organization. However, the planned tasks did not reflect this kind of interconnection and foreign trade organizations continued to be managed by and interested in the fulfilling of the foreign exchange intake indicator which presupposes the achievement of a certain material volume of exports. The disharmony between these tasks, which are established in parallel, but differ from each other, is manifested particularly in the situation where the producer realizes an adequate profit, as well as sufficient volume of foreign exchange to permit imports through the medium of certain exports, so that he has no interest in further increasing exports, but where the foreign trade organization is failing to fulfill the stipulated foreign exchange intake. In the long run, it is, therefore, necessary to clarify the dual responsibility for transactions involving foreign countries: the producing organization, as the supplier of export goods, should be the bearer of responsibility for its export efficiency; the foreign trade organization should be responsible for the result of the commercial activity involving the exported goods and services.

The following is discernible, for the time being, from the results of the realization of the experiment in the areas of planning foreign trade within the jurisdiction of the Federal Ministry of Metallurgy, Engineering, and Electronics:

- Although some previously binding indicators have become orientational in nature, for example, the value of exports to nonsocialist countries expressed in FOB prices, a great deal of inertia persists thus far in evaluating and controlling the fulfillment of plan indicators on the part of superior organs. The pressure to fulfill binding and orientational indicators is the same and their inadequate differentiation, therefore, does not provide the necessary room for initiative. The opportunities at the disposal of an organization to more precisely define for itself the orientational plan indicators by adjusting them downward or upward (this kind of adjustment is not considered to be a change of the plan) has become unrealizable. Although the experiment was supposed to demonstrate whether it is possible to conduct planning in the area of foreign trade with a limited number of binding indicators, whether it is possible to make room for decisionmaking on the part of economic organizations, for example, by lowering or increasing the value of exports to nonsocialist countries in individual years (while fulfilling the 5-year plan), existing experiences point to surviving procedures in controlling the plan which make it impossible to either demonstrate or apply this intention;
- Directive incursions participate negatively in the realization of the experiment: a sudden change in the export plan originating with the superior organ which is not accompanied by an appropriate adjustment in the economic instruments (for example, by an adjustment of the planned level of profits, which is a bonus indicator for all employees of the organization). This fact can be documented by the example of the producer of machine tools. After signing up for the experiment, the producer had his foreign trade profits raised and was directed to lower the volume of imports to socialist countries in favor of deliveries to the domestic market, which was manifested in a decline in profits from foreign trade by several tens of millions of korunas. The results of the lowering of exports is to be attenuated by the overall economic results achieved by the concern involved. The question arises as to how? After all, the lowering of exports and the lowering of profits based on foreign trade result in the failure to pay employee bonuses. Economic organizations are experiencing considerable difficulty in coming to terms with the fact brought about by the supplemental adjustments of the rules governing financial economic instruments; this adjustment does not support exceeding planned exports to certain areas which is a development which has become a harsh restriction for the exporter. It is worth considering not applying the general rule across the board, but to differentiate in restricting the exceeding of the planned volume of exports by considering its efficiency. There was a difference if, for example, one producer, in exporting to a given region, achieves a *level of* 207 points in terms of the differential indicator, as opposed to a producer who, in exporting in terms of differential indicators, scores less than 100 points or slightly more than 100 points.

While the method of planning exports and imports with respect to socialist countries has not undergone a substantial change within the framework of realizing the experiment in comparison to the existing method of planning, the method of planning foreign trade involving nonsocialist countries is different insofar as the form of planning is concerned, as well as with respect to the manner in which material incentives are connected with this form of planning. Because the new system influences not only the formation of economic results based on foreign trade, but also influences the foreign exchange interests of the experimenting organizations, the results of the experiment involving the planning of foreign trade with nonsocialist countries are discussed in the following section of this article.

Creation of Foreign Exchange Resources

In planning the volume of exports and imports involving nonsocialist countries, a completely new element is being verified within the framework of the experiment, which consists of granting the economic organizations the right to handle a certain portion of the foreign exchange gained through exports to these countries. This measure in the foreign exchange economy is intended to increase the degree of material incentives enjoyed by the cost-accounting sphere with respect to increasing the efficiency of exports, with respect to achieving a faster return on foreign exchange capital based on imports and creating more flexible conditions for management in the foreign exchange area. Thus, the regulation of external economic relationships through foreign exchange is, for

the first time, transferred experimentally to economic organizations and is also interlinked with their foreign exchange interests in the results of foreign trade transactions. Alternatively, these material interests are oriented in accordance with the rules of the experiment by the bindingly stipulated balance of exports and imports or by the foreign exchange standard which is established in the form of a binding ratio between foreign exchange payments and foreign exchange revenues. Foreign exchange resources produced over and above the planned level of the balance remain at the disposal of the organizations; in cases where the foreign exchange standard is applied, foreign exchange reserves are created directly from unused entitlements. The foreign exchange standards are being realized only by two organizations: the Agrozet Concern at Brno and the Tesla, National Enterprise, at Holesovice, whereas the foreign exchange balance of exports and imports is being verified by the CSVZ at Milevsko, the Tesla-MLP Plant at Brno, the Metallurgical Secondary Production Enterprise, the Elitex Enterprise at Liberec. For the time being, the remaining nine experimenting organizations are not involved in the comprehensive experiment in the foreign trade area.

Experiences Involving the Use of the Foreign Exchange Balance of Exports and Imports

In setting the foreign exchange balance, the experimenting organization uses the orientational figures in the export and import plan provided by the superior organizations for the 5-year plan and for the individual years of the 5-year plan in FOB prices. The foreign exchange balance is set as the difference between basic exports and other noncapital imports and the import of machines and installations (excluding DNU), established separately for each year of the 5-year plan. Even though in essence experimentation involving the foreign exchange balance is not a new element in the area of planning and managing foreign trade (since instead of using the indicator of exports to nonsocialist countries in FOB prices and imports from these regions in FOB prices, their difference is applied), it represents a significant stimulus for increasing the export output of a given organization. It makes it possible for that organization to retain all produced foreign exchange gained above the framework of fulfilling the export targets. This is why the experimental verification of the foreign exchange balance met with a positive response in those organizations where suitable conditions existed for its realization and led to a significant increase in the volume of exports to nonsocialist countries. However, additional findings arose as a result of this experimental verification:

- Frequent changes in the standard conditions under which the foreign exchange balance was to be realized disrupted the conditions for its stimulating effect. According to Government Resolution No 321/87, the comprehensive experiment in the area of foreign trade was to be implemented at newly approved experimenting organizations effective 1 January 1988 on another basis—on the basis of commercial parity (until that time, the rules called for using the level of existing FOB prices). In view of the demanding administrative nature of converting the volume of exports and imports from the FOB price level to the level of commercial parity prices, the government issued another regulation (No 348/87) which called for the experimenting organizations to carry out the experiment on the basis of FOB prices (with the exception of certain specific organizations). However, the final solution of the experiment calls for the unification of the system on the basis of commercial parity as of 1991;
- Use of the foreign exchange balance of imports and exports presupposes the existence of an absolutely realistic export plan. The unrealistic nature of fulfilling the export plan to nonsocialist countries has become one of the obstacles for the experimental verification of the foreign exchange balance even in additional organizations of the industry which have become committed to the experiment;
- Use of the foreign exchange balance is not suitable for those of the experimenting organizations which have significantly higher exports than imports. In crisis deviations in the markets of nonsocialist countries, when exports in FOB prices are not fulfilled, foreign exchange for noncapital imports necessary to sustain production processes (for example, of the TST Concern) are curtailed or even completely restricted. Experimental verification is suitable for that economic organization which, in its relationship with nonsocialist countries either has a virtually balanced volume of exports and imports or one in which the volume of imports exceeds the volume of exports—the latter case is typical for the CSVZ at Milevsko which has evaluated the contribution made by applying the balance to its economy positively, thanks to the high degree to which it exceeds the targets for exports to nonsocialist countries. However, disadvantages in applying the balance can be seen in the fact that, on the basis of the existence of a negative balance, the concern would be placed in the grouping of those organizations to which foreign exchange regulations based on foreign exchange revenues of the entire national economy would be applicable;
- One of the reasons organizations are reluctant to engage in the experimental verification of the foreign exchange balance is the fact that the obtained foreign exchange coverage is held for the experimenting organization by the State Bank in an entitlement account. If the organization wishes to draw on this account, it must create resources based on profits. This is because no real foreign exchange is involved, but so-called entitlement rights, for which the countervalue of the foreign exchange must be deposited in Czechoslovak currency. If we consider that some of the experimenting organizations are suffering from a lack of liquidity and that we are, for the most part, dealing with organizations which are not experimenting at all in the foreign trade area, then it becomes clear why they are not verifying the foreign exchange balance experimentally.

Use of the foreign exchange balance connected with the existence of an entitlement account represents a limitation of the authority of those economic organizations which produce foreign exchange. On the other hand, however, it is necessary to consider two facts which mitigate against its further utilization within the framework of the experimenting organizations. 1) The balance is based on planned export targets and is, thus, aimed at the realization of exports and not at the realization of revenues—so that in many cases foreign exchange entitlements arise sooner than foreign exchange has been derived from exports to foreign countries. (That is why the foreign exchange balance is also tied in with the entitlement foreign exchange account rather than with the property account.) 2) The status of the foreign exchange balance in our national economy currently does not make it possible for exporters to retain the entire volume of the foreign exchange they have earned over and above the stipulated export plan. These reasons have led to the fact that in organizations which have embarked upon the comprehensive experiment, the experimental verification of the foreign exchange balance has been replaced by the foreign exchange standard, by 1 January 1988, as is the case with those of the experimenting organizations which have continued to use the foreign exchange balance up to that time.

Experiences Involving the Utilization of the Foreign Exchange Standard

The foreign exchange standard represents a progressive form of foreign exchange material interest in the results of foreign trade and, at the same time, fulfills the role of a unique binding indicator in the relationship toward nonsocialist countries. The basic prerequisite for its application is the realization of an organizational or economic interlinking of production and foreign trade in which the experimenting organization is assigned responsibility for foreign invoices, obligations, foreign exchange earnings and payments, including for claims and obligations which arose prior to introduction of the experiment. Part of the foreign exchange revenues, as stipulated by the standard, is fully at the disposal of the experimenting organization (in the amendment of 1989, there is a change in the concept of the foreign exchange standard which now expresses the magnitude of the foreign exchange levies to be paid to the central foreign exchange resource pool); in other words, this organization operates with its own foreign exchange resources on the principle of foreign exchange self-financing. The organization can utilize resources not used in the current planning period during the subsequent planning period. The experimenting organization has its own foreign exchange (property) account opened with the Czechoslovak Commerce Bank and, thus, on the basis of the stipulated foreign exchange standard, is fully responsible for its own liquidity with respect to foreign countries, that is to say, for the development of foreign exchange revenues necessary both to cover existing as well as new foreign exchange obligations.

Only two organizations (the Agrozet Economic Production Unit at Brno and the Tesla, National Enterprise, at Holesovice) were verifying the use of foreign exchange standards experimentally by 1989. These organizations have commercial contacts with foreign trade organizations on the basis of procurement contracts.

The application of the foreign exchange standard in practice has, thus far, resulted in the following partial conclusions:

- The experimenting organizations encounter a problem with regard to the quantification of accounts payable for realized exports in recent months, as well as the quantification of obligations for exports which have, thus far, not been paid for by the appropriate foreign trade organization. This is an extraordinarily demanding task because the experimenting organizations must obtain the necessary data at all foreign trade organizations which have been involved in supporting its imports (in the case of the Tesla, National Enterprise, at Holesovice, this involves 15 commodity-specific foreign trade organizations which, in making their payments, make use of the advantage presented by medium-term credits). The demanding administrative nature and the labor intensity of restricting foreign invoices and obligations and payments to the experimenting organizations creates a barrier to the smooth startup of the experiment with respect to the scope which was anticipated and agreed upon by the Government of Czechoslovakia. Proof also lies in the fact that not a single one of the newly experimenting organizations had, by 1 January 1988, applied any kind of method of experimenting with foreign exchange financing. In some experimenting organizations, for example, at the economic production unit for the High-Voltage Electrical Engineering Plants, at the Automation and Data Processing Technology Plants (VHJ), and at the Chepos Plant, steps were undertaken to work out the quantification of foreign exchange payments and revenues which, however, for the lack of accessibility to certain data at foreign trade organizations (particularly at importing foreign trade organizations) could not be processed comprehensively or on a timely basis and could, thus, not be presented to the Federal Ministry of Metallurgy, Engineering, and Electronics for further rulings involving the stipulation of foreign exchange standards;
- An obstacle to the more rapid application of the foreign exchange standard were transfers by foreign trade organizations of hitherto unrealized export products from their warehouses, without the delimitation of credits. The reason was primarily that the foreign trade organizations (for example, the KOVO organization) did not draw on these credits and it was, therefore, not possible to delimit them. The experimenting organizations, thus, encountered new temporary supplies which were not covered by credits. A problem was also the 9.5-percent interest rate of the foreign exchange credit in free currencies which the

organizations had to draw to provide foreign exchange coverage of the obligations that they had taken over for imports for the period prior to their embarking upon the experiment;

- Application of the foreign exchange standard, accompanied by the acquisition of a foreign exchange property account (not an entitlement account) requires that it be established on the basis of commercial parity and not on the basis of FOB prices. However, this method of using the foreign exchange standard requires, in the relationship with the foreign trade organization, the existence of at least an economic (but preferably an organizational) connection—something for which adequate conditions are not in place. It should be noted that the method of economic and organizational connection between production and the foreign trade organization has not been solved with any finality and was, therefore, a problem as early as the previous experiment, which was conducted on the basis of Government Regulation No 1/1983, dated 6 January 1983. On the other hand, it is necessary to note that utilization of the foreign exchange standard is not exclusively a question of placing the foreign trade organization in the role of a procurement agent (a broker). Experiences recorded by economic organizations which are successfully realizing the comprehensive experiment in the production and export of consumer goods—the Crystalex VHJ and the Jablonec Costume Jewelry Enterprise—demonstrate that it is possible to realize the foreign exchange standard at the cost of an acceptable compromise between the producer and the foreign trade organization. Although these two economic production units own foreign exchange entitlement accounts, the given method is successful for them for the time being;
- The weakness in the foreign exchange standard, irrespective of whether it is realized in the image which was originally verified by the experiment or in the image which is proposed as of 1 January 1989 across the entire economy, is the fact that its magnitude is not stimulationally differentiated with respect to the fulfillment or exceeding of the export plan. Even though the amendment which is effective 1 January 1989 provides the opportunity to utilize a so-called stimulational foreign exchange standard, its magnitude is ineffective with respect to those exporters whose imports account for half or more of their export volume.

It remains only to recommend that stimulation to engage in above-planned exports be applicable to all exporters. If an organization is successful in increasing its accounts receivable on the basis of exports by exporting over and above its plan, it should be able to gain a higher percentage rate of the foreign exchange standard on that basis because greater exports require greater efforts.

Existing experiences in using foreign exchange standards in two economic organizations in the areas of engineering and electrotechnology indicate that the above-mentioned amendment pertaining to the creation of foreign exchange standards, which will be applicable to experimenting as well as nonexperimenting organizations as of 1 January 1989, can be considered as a compromise solution because it limits the possibilities for independent financing on the part of the economic organization according to its domestic money and foreign exchange needs. It is even a step backward from the rules of the comprehensive experiment which made it possible for enterprises, through the foreign exchange standards resulting from revenues, to gain access to foreign exchange even without fulfilling the export or import plan. In the amendment which is effective 1 January 1989, organizations having a positive balance of foreign trade are obligated to pay minimum levies of foreign exchange to the central foreign exchange pool, as a binding indicator in addition to the foreign exchange standard. Even though the new amendment is a nonsystems provision, it is necessary to admit that, in the present situation—which is characterized by a high degree of import intensity and a low degree of competitiveness of Czechoslovak production—it is a necessary step. The extent of enterprise independence (an expression of which is also the foreign exchange standard realized by experimenting organizations) must not be permitted to lead to a growth in indebtedness which would exceed our possibilities. A mere standard alone—be it unified or differentiated—could, in the current situation, lead to additional declines in the balance of payments. Utilizing the minimum levy of foreign exchange to the central pool contributes to the balance of payments, whereas the foreign exchange standards applied to the levies is a basis for the foreign exchange material interest on part of the organization. It is, nevertheless, necessary to consider these measures as having a temporary character with the goal of at least returning to that concept of the foreign exchange standard which is contained in the rules for the comprehensive experiment which has been in process since 1 January 1987.

The Influence of the Results of Foreign Trade Transactions on the Entire Economic Results Recorded by the Producers

Under conditions of the comprehensive experiment, profit takes on a different quality—it has lost its binding nature from the standpoint of planning methodology and has become a strongly motivating factor in the formation of funds. On the one hand, it is possible to welcome this strong motivation since it is manifested in an effort not only to fulfill the production plan and export plan, but in efforts to exceed these plans and to thus acquire a maximum of financial means. On the other hand, however, this strong material incentive applied during the experiment which focuses on profit does not have a uniform effect in harmony with the interests of the national economy to increase exports to nonsocialist countries, which is borne out by the following experience: a number of economic organizations are exporting to nonsocialist countries at average or below-average efficiency which often leads to sizable monetary losses; with the goal of eliminating these losses, they then mount

efforts to change the area of their exports in favor of exports to socialist countries, even though they currently do so with certain amounts of support from the center, and try this way to cover their export losses.

The strong motivation of economic organizations which is aimed at maximum profit clearly supports their efforts to export goods to socialist countries, because they achieve profits in terms of wholesale prices. If we consider that exports to nonsocialist countries are prescribed for the economic organization to the maximum possible extent—by the foreign exchange standard (and are, moreover, supported by the opportunity to acquire export foreign exchange funds)—then the intensity of their interests in meeting the requirements of domestic consumers "merely" in terms of wholesale prices is not comparable to their interest in export transactions.

The comprehensive experiment, which is characterized by the goal to achieve long-term self-financing, as opposed to the existing mechanism of management which exists in other organizations, is a strong motivating factor with respect to increasing exports. This effort can be considered to be a positive provided domestic requirements are fully satisfied. Even though, on the one hand, the metallurgical, engineering, and electrotechnical industry fulfills an important role in the production of foreign exchange and, thus, supports the balance of payments, it simultaneously fulfills the irreplaceable role of the supplier of technology which, both with the volume of its deliveries and their quality, influences the technical level of the other branches of the national economy.

As can be seen from the above, the influence of exports on the economic results recorded by the producer has taken on hitherto unprecedented importance within the framework of the comprehensive experiment. On the other hand, the experiences of experimenting organizations within the framework of the Federal Ministry of Metallurgy, Engineering, and Electrotechnology indicate that under conditions of the experiment they do not have the quantities of financial means to permit them to engage in self-financing which they were counting on when they first embarked upon the experiment.

The necessity to balance planned requirements and resources in harmony with the 8th 5-Year Plan has resulted in the imposition of supplemental levies from profits at organizations accounting for above-average formation of resources or those organizations showing lower than average requirements. This nonsystemswide measure represents an incursion which is a hardship for the experimenting organizations, since they did not anticipate it when they embarked upon the experiment (the imposition of supplemental levies violates the principle of self-financing and the long-term nature of this principle). Only the knowledge and guarantee of stability of conditions of management over a multiyear period (and the continuity of these conditions) can lead enterprises to mobilize their resources, can lead to the conceptual development of work, to the creation of a long-term and sales program, to the formation of an export and import concept.

In addition to the uniformly assessed levy on profits (at 65 percent), the majority of the experimental organizations (with the exception of the Agrozet Economic Production Unit at Brno, the ZSE Enterprise at Prague, the Tesla-Electric Power Supply Service Enterprise at Roznov, Tesla at Holesovice, and the Ore Mines and Magnesite Plants at Bratislava) were assessed supplemental levies on profit, differentiated for individual years. The disproportionately high levies paid to the state budget, which, in 1988, for example, represented 89 percent at Elitex and 84 percent at Tesla-MLP at Brno, do not provide sufficient room for fulfilling the fundamental principle of self-financing and the necessary material incentives. As a result of the high levy obligation, the organizations lacked the necessary resources to create the desirable reserve funds which are an important financial reserve used to cover arising risks and to assure the long-term stability of management. (For example, at the Elitex Enterprise at Liberec, the remainder of the reserve fund only amounted to Kcs 1.3 million by 30 June 1988.) The value of the supplemental levy on profits will be increased each year through the end of the 5-year plan—for example, at the Heavy Machine Tool Enterprises it was 18.3 percent in 1988 and will be 21.6 percent in 1990. To cover the developmental needs of this economic production unit, after subtracting the basic levy on profits, 16.7 percent remains in 1988 and, by 1990, only 13.4 percent.

The burdening of the profit levy by the imposition of supplemental profit levies and levies from other funds is so high that, for example, the largest exporter in the industry, the Elitex Enterprise at Liberec, had to pay a profit levy based on these three categories of 94.07 percent. Some enterprises in the concern are unable to allocate resources to the developmental fund to cover increments in supplies and cannot make allocations to the reward fund. The bank refuses to grant credits for increments in supplies and, on the contrary, imposes sanctions when credit/profit criteria are not maintained, both in the area of interest rates and credit terms. If we consider that, at Elitex, in 1987 the indicators stipulated by the industry for evaluating the results of economic activities of organizations under conditions of the experiment were fulfilled, but the overall profit plan was not fulfilled, along with the planned level of supplies by 31 December 1987 (both are merely orientational indicators), the enterprise found itself in an onerous financial situation accompanied by a decline in wages and manpower turnover. In failure to fulfill even only some tasks (for example, if supplies should increase and the Czechoslovak State Bank refuses to provide credits for them), the enterprises find themselves in a situation in which they have no financial resources in the reward fund even though they may fulfill or even exceed their targets with respect to exports.

It is, thus, difficult to consider it economically beneficial for enterprises or economic production units which provide resources for redistribution to enjoy worse conditions for the realization of the experiment than recipients of subsidies which are based on these resources, particularly where important exporters in engineering and electrotechnology are involved.

The goal of the comprehensive experiment is to test, in practice, the principles of self-financing, the principles of stimulation aimed at increasing volume and efficiency in foreign trade. The first 2 years of the experiment in the metallurgical, engineering, and electrotechnical industry helped identify those problem elements which act disharmoniously with respect to one another. In conjunction with the acceleration of the realization of the principles involved in restructuring the economic mechanism effective 1 January 1990, it is necessary to devote considerable attention to the results of the comprehensive experiment, particularly in the area of involving economic organizations in external economic relationships.

Restructuring Needs Preparation To Avoid Problems

24000152a Prague HOSPODARSKE NOVINY in Czech No 23, 1989 p 1

[Article by Eng Jiri Hlidek, Dr Sc, Director of the Management Institute, Prague: "No Claim to Complacency"]

[Text] Implementing the restructuring of the economic, social and political life of our land must be understood as a long-term, very demanding process. It involves putting new rules and standards into practice but above all, a change in the thinking of all members of society, a change in the approach to solving the problems of daily practices to each one of us. In the management of the economic systems there will be a number of truly notable changes—changes in relations between central economic offices and commercial organizations, further development of the principles of independence and khozraschet accountability of enterprises, and reorganizing of the structure of the technical productive and circulation base on the principle of a bilevel management.

This requirement, then, applies doubly to supervisory and management employees who will no longer be able to rely on directives and instructions from above, on strict regulations and personal relationships. They will have to enforce party and state policies chiefly by reasoning, by convincing arguments but also sensitively so that their actions will match the spirit and goals of restructuring and are not only subjective interpretations of formal regulations.

Increasing Independence

Restructuring the management of the economy will lead to considerable expansion of the independence of enterprises as a result of their transition to khozraschet and self-financing. It will lead to greater responsibility of senior officials for the final profit and loss statements of the organizations managed by them, for meeting obligations to consumers, for seeing that the earnings level of their working collectives is directly connected to the efficiency of their work and for broad use of collective forums in employee relations.

Besides the substantive problems of management to which senior officials must adapt themselves in new ways during this time, there are also particular modern techniques of management which they must actively master. For example, it will not be possible to manage an enterprise successfully without formulating a corresponding strategy for its development, providing a concept of its production and commercial policies and at the same time developing intensively the replacement of its capital and current assets and also providing for the social development of its working collectives.

The fact is that changes in the mechanism of the management of the economy place new quality demands on the capacities and activities of production managers and their fitness to qualify for management functions. New times and new tasks require of managers, especially of enterprises, their own decision making, initiative and entrepreneurship.

Ladislav Adamec, prime minister of the CSSR, stated at an aktiv in Vetrny Jenikov on 4 May: "It is a matter of the first order that national enterprises be real entrepreneurs. This requires knowing not only how to produce well but also knowing the needs of the domestic and foreign market, knowing how to do business successfully, finding profitable outlets and managing to sell for fair prices."

The problem of further development of managing personnel and updating their political and specialist preparation was taken up by the presidium of the CPCZ Central Committee in September 1988 and by the federal government which adopted in February 1989 a resolution on the political and specialist preparation of cadres in the national and economic sphere. It calls for systematic formation of a qualification profile of senior officials and cadre reserves with the necessary requirements for specific functions, for example, on the level of national enterprise, departmental ministry, etc. This means expanding their capabilities politically, creatively, efficiently, to think and deal independently, to learn and implement effective forms and methods of leadership and to proceed actively and with initiative to carry out new societal tasks.

The preparation is to consist partly in conveying information to expand the specialized knowledge of participants and partly in increasing those practical skills which directly affect the efficiency of management activities. In this period, then, the preparation will be directed chiefly on the basic impetus for the strategy of accelerating socioeconomic development, identifying the objective necessity for restructuring the economic mechanism in

the CSSR and the changes in the management organization of the national economy. For example, besides mastering the principles of comprehensive restructuring and the instruments for its execution, the focus will also be on developing methods and techniques for improving the level of management work, including application of modern information and management technologies, expert systems, the significance of the human factor and its activization under the new management conditions.

The resolution of the presidium of the CPCZ Central Committee on the political and specialized preparation of cadres defines three groups of cadres for the purpose of organizing the preparation:

—central (including roughly management personnel starting on the level of central offices up to directors of large national enterprises),

—departmental (including middle management directors to plant managers),

—basic (including remaining lower level managers).

The resolution also prescribes that the preparation of cadres of the economic sphere in the central group be provided by the Management Institute, Prague; the preparation of cadres in the second group by departmental training facilities and the third by enterprise training facilities.

The political and specialist preparation of cadres is provided by various forms and methods which are adapted to the specific qualification requirements of top senior officials. The principle of differentiation and individualization is systematically fostered. The outmoded dominance of general education is being replaced by the need to initiate independent creative action and original performance by economic employees according to very differentiated conditions of the various types of enterprise activities.

A nontraditional collective training form is preparation of all-inclusive management teams for resolving the management problems of a given organization. The purpose is to link the training with the solution of a specific situation, case, etc., directly at the work center under certain conditions. This rather consultation-oriented form of preparation is very challenging both in preparation and in actual execution. Participation by all-inclusive top management is important as it permits a systematic approach to solutions (for example, with changes in organizational enterprise structures, setting up a streamlined system of enterprise subdivision management and other complex problems of management practice).

Experience shows that in the forthcoming period of development of our economy we particularly lack managers with broader enterprise training.

Socialist entrepreneurship is a highly creative combination of functions and activities leading to increased economic efficiency of organizations. In the interests of efficient direction of the cadre preparation the Management Institute in Prague is utilizing experiences and observations of leading representatives of theories and practices from socialist as well as advanced capitalist countries.

A more profound theoretical education and practical instruction in the sector of enterprise activities will be offered participants in specialized studies by the "school of socialist entrepreneurship" which the Management Institute will open in the second half of this year.

An important objective in the system of political specialist preparation of cadres is the preparation of chairmen and members of the offices of socialist self-government of state enterprises. It is organized along stages in the form of short-term seminars in connection with the gradual establishment of national enterprises and their self-governing offices. Its aim is to settle questions of their role, function, rights, responsibilities and cooperation in relation to economic management, organizations of the ROH [Revolutionary Trade Union Movement] and to other social organizations in the national enterprise.

Modern Methods

The preparation of management cadres requires using not only the most effective forms but also methods to raise their qualifications. From this viewpoint a unique place is held by activizing methods of problem training, for example by case studies, role playing methods and enterprise games. It is in this way especially that managers can best learn how to handle specific problems.

An important part, therefore, is also thematic excursions and residencies in certain selected organizations. The purpose of these trips is to show specific sectors of management work in various organizations as an illustration of newly obtained theoretical knowledge and as ways of comparing their own methods with the practices of others. For some years now there has been a successful exchange of students in cadre reserve courses between the Management Institute in Prague and the Academy of the National Economy in Moscow.

Residencies in selected enterprises which are longer-term make it possible to become more thoroughly acquainted with progressive methods of management or possibly recognize the character of work in organizations to which their own management activities are linked and the knowledge of which may considerably influence the decisionmaking of the residency participant.

In the future, more attention will be given to residencies abroad, both in socialist and advanced capitalist countries as an important means of getting the latest information and making our participation in the international division of labor more effective.

The basic aim of the preparation of managers and cadres reserves, the shaping of political, specialist and personality profiles that correspond to the new economic conditions, cannot be met in the short term or immediately. I visualize it as a long-term, systematic, programmed process which is an integral part of the system of lifelong preparation of cadres.

Present, Future Problems in General Engineering Viewed

24000152b Prague HOSPODARSKE NOVINY in Czech No 23, 1989 pp 8-9

[Article: "Problems of the Present and Dilemma of the Future in Our Engineering"]

[Text] The level of engineering is lagging significantly behind requirements for efficient development of our economy. Almost a third of the organizations in the metallurgy, general engineering and electrical engineering complex are having problems marketing their products and almost the same number of them is in a critical situation regarding possibilities of intensification. Moreover, in recent years, this situation is getting worse rather than better which can be attributed to declining interest in our engineering products abroad. Because of the large part engineering plays in the formation of the national income in our country, any improvement in this department would greatly improve the whole economy. We are now working on a program of development of our engineering industry. The complexity of the whole problem is increased because exporting and importing will be carried on under far more difficult conditions than before. Our general engineering and electrical engineering products will be competing with goods not only from the developed capitalist countries but also from developing and socialist countries.

An idea of the future development of Czechoslovak engineering, by which I mean the complex of enterprises directed today by the Federal Ministry of Metallurgy, General Engineering and Electrical Engineering [FMHSE], is difficult to formulate without a brief look at its development after 1945. Thanks to a relatively advanced scientific-research, technological and production base, Czechoslovak engineering, after the liberation, was able to develop modern working facilities with increasing utility values by the use of new materials, new technological processes in connection with power conversions and the gradual interweaving of general engineering and electrical engineering production sectors with metallurgical and chemical production sectors. The character of these technological processes met the requirements of that time for extremely high and low temperatures, high pressures and attempts to maximally approach theoretically attainable values.

Past Developments

Even at that time research foresaw the possibility and hence the necessity of gradual miniaturization and electronization, also the clear necessity for future strict regulation and precise measuring as a consequence of the growing requirements of automation in production as well as nonproduction processes together with the rapid increase in the speed of technological processing. These clear signs of the coming scientific technical revolution indicated also the inevitability of an entirely new quality of all technological equipment both in operating facilities and in consumer goods, both in specialized production and in the international division of labor.

From the viewpoint of the general guidelines for building socialism formulated by the Ninth CPCZ Congress in 1949, Czechoslovak engineering was given the task, through long-term orientation, of meeting the needs of its own socialist industrialization and the collectivization of agriculture. It was also to meet the requirements of other countries in the socialist camp for substantial deliveries of engineering equipment motivated by the same course of action as here, as well as the requirements of special production to strengthen the defense capabilities of the socialist camp. In the business of machinery, Czechoslovak engineering also had the task of obtaining the means of import necessary raw materials, semiprocessed goods and foodstuffs.

Our engineering industry remained in this basic state without substantial changes for several 5-year periods. At the same time it gradually became quite apparent that to compensate for the importation of raw materials and consumer goods there was a growing need to export more nonengineering, especially consumer goods at the expense of raising the people's living standard more rapidly. The foreign exchange obtained by the engineering industry was not sufficient.

Meantime, by the seventies the other CEMA countries had built up a relatively considerable engineering capacity but its structure was often parallel. That is why socialist economic integration did not embody substantial progress, either from the viewpoint of specialization or integration of engineering.

So in comparison with the rest of the world, in the seventies the Czechoslovak engineering industry began to lag behind in standards, in intensification and in efficiency. The biggest lag was caused by inadequate implementation of electronics which in the last 3 decades of this century has become one of the basic intensification factors in the economic growth of the national economy.

In spite of its great contribution to overall industrial production, the engineering industry began, in the seventies, to fail as a whole in the character and innovative qualities of its products and technology, in its exports and imports, in the basic mission of this department in every industrially and agriculturally developed country:

to be the chief supporter of the intensive concept of development of the national economy.

In spite of marked successes in certain enterprises, this unfavorable development has not been stopped so that the engineering industry is faced with the solution of pressing tasks—in the first place, to achieve maximum intensification with practically no increased resources and a preponderance of exports over imports; in the second place, to provide increasing import of raw materials and other tangible goods, by increasing the export of engineering equipment which, however, will cost more to process than the amount of raw material, material and energy expended than heretofore. This is the economic aspect of the development essential to Czechoslovak engineering enterprises.

It is certainly an absolute dilemma because our engineering industry is not sufficiently prepared to fully resolve it, especially since imports and exports will be carried out under even more unfavorable conditions than before. As a state poor in industrial raw materials, the CSSR nevertheless cannot permit itself any other alternative than the transition to intensive development because, with the small size of its economy and its limited raw materials and fuel power resources, its very existence depends on the creation of material and intellectual values.

Participants in a Creative Dialogue

The way to the solution lies foremost among the engineering workers themselves or the quality and motivation of their work at all levels of management. The knowledge, education and skill of the employees in general engineering and electrical engineering are, in spite of many deficiencies, still relatively high but the distribution structure of these workers is obsolete and they lack further motivation in their work. At the same time, the heart of the current restructuring of the economic mechanism, the basis support of innovative changes which the Czechoslovak economy and hence also the engineering industry must undertake is precisely the enterprise, the repository of national economic standards.

The procedure for national economic planning must comprehend this fact as something elementary, as the reason for a definitive departure from regulating by directive the substantive and quantitative indicators of production and resources. No higher office can really know its internal production resources and circumstances as well as the enterprise itself. Likewise, only the enterprise can carry out efficiently a practical integration of plan and costs at its level.

This in no way diminishes the role of central offices. The national economic plan is the basic instrument representing national interests. Through its binding provisions—that is, norms, regulations and state orders—it guides the whole multifaceted organizationally and materially structured economy along the path of the economic policy chosen by the state.

Instead of the existing monopoly by central offices and the consequent regimented method of enterprise planning, a creative dialogue must emerge between enterprises and central offices resulting in an enterprising spirit. Instead of the existing linkages and relationships, new ones will thus be formed of which, however, the least revised are precisely the basic relationships between the central offices, that is, the FMHSE, and the enterprises.

It is especially important to set up an economic framework for a look into the future by both central offices and especially by enterprises on the basis of principles long proven by experience. The fundamental change is that enterprise activity is henceforth to be regulated specifically chiefly by economic instead of the present administrative methods which are too rigorous to motivate enterprises.

The gravity of the problem and ways to resolve it were demonstrated at a seminar organized by the Central National Economic Research Institute with directors and managers of 26 selected general engineering and electrical engineering enterprises under the auspices of the FMHSE in Malenoice at the end of March this year. It took up ways of increasing the productivity of our engineering industry under rules of the new mechanism. It showed not only the fundamental drawbacks of current methods of management but also ways of correcting them. It also showed a sound way for enterprises to operate.

First to the method. In view of the large number of enterprises and the time sequence of much of the data in them which must be constantly updated, it is essential to enter all the input into the memory of a large computer. This is not only because of the immense amount of data but also because the entire recognition part of the solution is based on simultaneous submission of parameters which under selected conditions bring the changes sought into reciprocal relationships and the proportionality of indicators. The solution is then made possible on the basis of a continual dialogue with the computer which illustrates the devices, resources and consequent effect of the forecast.

The dialogue points up the necessity of strengthening the people's role in the scientific technical potential and the level of earnings stemming from it, strengthening the role of investment for renovation rather than for development, intensifying the rate of liquidation and renovation of capital assets and increasing the proportion of added value and proportion of final effect in output. The combination of these partial and aggregate entries will arrive at a series of relationships which testify to the conduct of the enterprises respecting the directions of the national economic strategy of development. Those which have a critical significance are indicated as signaling proportions of development. At the same time, signaling proportions must be simple, internationally compatible and intelligible to the employees.

In regard to work and wages, two signaling proportions characterize the structure and motivation, that is, the ratio of the number of employees in preproduction and postproduction stages to the number of laborers and the ratio of average earnings of these two groups of employees. Both of these ratios in the developed world's engineering reach a considerable level and keep on increasing (naturally differentiated according to the specific conditions of individual enterprises), the second ratio faster than the first. Therefore, global producers of general engineering and electrical engineering equipment will consider as worthy partners in the CSSR only those enterprises in which the preproduction and postproduction stages are the best.

In Czechoslovak engineering in the 1980-87 period the first ratio stagnated at a low level, the second, instead of growing, actually dropped. In 26 engineering enterprises surveyed there was a favorable development in the first signaling proportion in only half of them, in the second signaling proportion in only three enterprises. All of the enterprises have far to go to reach the target values of 1.2 to 1.25 in the second ratio against the current ratio of 0.85 to 1.10.

In the majority of construction and technological units the average pay is equal to or lower than average laborers' earnings. A continuation of these fundamental gross mistakes of management is not admissible in the future if the socioeconomic goals of restructuring the economic mechanism are to be met. To correct the situation, which enterprise directors have the authority to do under restructuring, it is necessary to proceed at once as a sine qua non condition for the favorable development of our engineering industry. Management in general engineering and electrical engineering has certainly forgotten that motivation is a basic element in the creation of new values.

Trends Are Not Flattering

In the management of capital assets there are several key signaling proportions which must be monitored in respect to the level and tempo of development. First of all is the engineering share of total capital assets. The global trends in integrating R&D findings into the production base of developed engineering industries lead to a growth of this share to a high 75-85 percent, whereas we attain 45-50 percent.

The growth of this share is closely linked with the ratio of liquidation of obsolete capital assets of an engineering nature to the volume of investment in the technology and organization of production. In developed engineering industries this ratio comes to about 0.60-0.80; in our engineering industry it is presently only 0.05-0.15.

The growth of investment from the viewpoint of efficiency is thus inevitably linked to concurrent increased liquidation of old and obsolete capital assets, especially engineering ones. There must be a substantial increase in investment for renovation and modernization as opposed to development and it is also important that the capital assets be managed properly. Central office and enterprise employees must have instilled in our consciousness an idea of the operating expenses of capital assets which means the amount, in terms of money, of material resources and energy utilized by capital assets for their renewal and operation. Of 26 enterprises surveyed in the 1980-87 period only three compared with world developments.

It is useful to follow and compare the world developments the 3-way distribution of operating costs in engineering enterprises: the proportion of costs for consumption of fuel and power, the proportion for timely maintenance and repairs and the proportion for depreciation as a reserve for renovation and modernization. The amounts of these distributions vary greatly in line with the specific conditions in the enterprises, although developing trends in the prosperous economic units were clearly alike: with intensification the first two proportions in global developments drop while, conversely, the third increases. In the 26 enterprises surveyed in the 1980-87 period, as many as two-thirds wasted fuel and energy. In regard to renovation and modernization, the percentage of operating costs for depreciation was lower in 90 percent of the enterprises than the target figure of 0.25-0.40 percent. In half of the enterprises the dynamics of development was unfavorable.

In the consumption of materials which form the tangible substance of the products of a given enterprise, the dynamics of development there is a great warning potential in the ratio of this consumption to reduced output (total output minus material consumed) of the enterprise. A more detailed study showed us that a necessary condition (but not at all sufficient yet) for increased efficiency is that in the dynamics of development the value of this signaling proportion should decline. In the group of enterprises surveyed only half of them showed a drop retrospectively in 1980-87; fully half were wasteful with their material.

In regard to the final effect, it is useful to follow and plan into the future the development of the ratio of gross profits of an enterprise to associated processing costs. Gross profit is the profit including the effect of foreign trade plus deduction of wages plus financial costs. Processing costs consist of the sum of wages payable and the costs of operating capital assets. This signaling proportion will have a great warning potential especially when it comes to setting prices in terms of value (criterial) which will probably occur between the ninth and tenth 5-year plans.

Until that time—with the existing price setting largely based on cost—it will be necessary, with value ratios higher than one, to check and see whether prices of products are not inflationary. Values higher than one are acceptable only in cases where the enterprise exports most of its production; if most of it consists of domestic deliveries, there is an inflationary trend. In the present situation this ratio in development ought to move

roughly in the area of 0.7-1.0. This was attained only by half of the enterprises surveyed.

I am reporting these trends, which certainly are not pleasant ones, so that it would be obvious that the current level of our engineering industry is seriously lagging behind the needs of our economy for efficient development. So the situation is serious and we must decide, not just on paper and by resolutions, but by practical actions in enterprises and central offices, on what measures will make our engineering industry once again become an efficient intensification factor in the development of the economy by the end of the century.

Life Support for Enterprises

At the same time, pointing out the unfavorable developments does not mean that the fault lies entirely with engineering and its enterprises. Most of the blame for these developments was not due to engineering enterprises and departments but rather to the system by directive, its inflexibility and lack of foresight and thus its inability to react quickly and suitably to the requirements of the community.

The first essential stage for recovery which can be realistically carried out in the course of a year or a year and a half, is to eliminate the lack of linkage. This exists between the managements according to units (the FMHSE, enterprises, plants, etc) and managements according to output (products, production sectors, etc) and is projected into the information systems of enterprises as a lack of connection between commodity and calculating classification of costs. Linking both cost classifications is really essential to make it possible to apply khozraschet in enterprise subdivisions as well as distinguishing between fixed and variable cost components and finally also to make cost calculations realistic.

Linking the two classifications is made possible by the matrix transfer method which is being worked on experimentally and after testing in three selected engineering enterprises is to be issued by the FMHSE as a binding guideline this year. This will meet the first of the basic requirements needed for efficient management and will lead to the possibility of efficient conduct of engineering enterprises.

The criterion for efficient conduct, however, depends on whether engineering enterprises will again choose, as most do up to now, the way of waiting and evasion or whether, with the active support and supervision of the FMHSE, they will try to really manage. To really manage means recognizing the increasing unavoidable conditions of which there are many in the technology and economics of engineering and which, moreover, change with time. This is the great difficulty of management in engineering. Foreseeing developments in engineering thus means to know a great deal, and knowing means being professionally skilled at the particular level of management. Therefore, only those who are equal to the new manifold tasks of restructuring will thus truly become new effective engineering workers.

The unavoidable conditions we refer to are the theories revealed and practices tested by the increasing unavoidability in the construction of machines and equipment, the growing unavoidable conditions in applying advanced technologies and organization of production, the unavoidable conditions of price formation, and unavoidable conditions of implementing innovations on the world market, the unavoidable conditions of providing maintenance and service. Knowing how to find the optimum in recognizing these vitally important conditions which, moreover, must operate in unison, that is, intricately linked at the very onset of innovation instead of the existing much talked of empiricism, this is the difficult and unenviable task of engineering managers and their staffs in the upcoming, truly pioneering, period to the end of the century.

To illustrate, here are a few examples. A model optimum calculation in recognizing the inevitability in question shows, for example, that in an automobile engine a minimum input of material, labor and cost is achieved with a stroke equal to the cylinder bore. But at the same time calculations show that the optimum is quite flat, that is, that for a stroke deviating from the cylinder bore, say by 10 percent, labor input, material and cost increase only a fraction or, at the most, only by one percent. This makes it possible to disregard strict theoretical standards in innovations leading to further improvement of engine properties. Calculations thus indicate what way may be chosen in development depending on specific conditions of a given product.

An electric motor can be designed for a certain output either with a large portion of copper and a small portion of iron on the other way round. The two extreme variants differ not only in their internal structural dimension but especially in the technology and organization of production. If we went on the world market with a motorcycle that had functional features, for example, 20 percent better than the average of other motorcycles on the market, it is certain that the price obtained would be roughly 45 percent higher than the average price of the other motorcycles. Incidentally, this would enable us to buy, for the foreign exchange obtained, some advanced technology which is not available here. I am citing these examples so that the organizations will realize that the law on enterprises, the law on national economic planning and the rules on levies form a necessary framework which the enterprise must recognize, to say nothing of the economic framework also needed for the undertaking to operate.

The economic framework for future development must be formed on the basis of value analyses derived from the desired development of previously noted signaling proportions. In cooperation with selected general engineering and electrical engineering enterprises we have worked up a method to a practical level. Today every engineering enterprise, just like the FMHSE, can process on a computer a realistic forecast to the end of the century in two specific variants, one for the most part

extensive and the other mostly intensive, made possible by the dialogue showing which way a given unit should move in the future.

Using this method I compared two engineering enterprises with similar production and technology. The results are extremely instructive. One of them which had earlier managed well has the prospect of attaining favorable results up to the end of the century in both alternatives, extensive as well as intensive with the intensive variant being much more favorable, especially in labor productivity, effectiveness of capital assets, profits and added value. Self-financing is possible here for the entire period of the forecast.

The other one, which did not manage well in the past, can become efficient only in the last years of the 10th 5-year plan. It is not capable of self-financing so its operations would require subsidizing by central offices until practically the end of the century. These are the results of long-term poor management because correction is possible also only over the long term.

Therefore we carried out an extensive and laborious in-depth probe into all essential aspects of the commercial activity of all enterprises in Czechoslovak industry so we could see under the surface of their current traditional indicator-type management. It showed, and this applies also to engineering, that fully one-third of the enterprises find themselves in a critical situation as regards possibilities of intensification. Which of these enterprises should be cut back, whether by combining with thriving enterprises or some other way, and which should be retained is one of the fundamental problems which the FMHSE should deal with at next year's CPCZ Congress.

The Starting Position

The individual enterprises must fill out the established economic framework with specific orders for their production programs. Future general engineering and electrical engineering production programs will, however, not be stable; on the contrary, they will be very changeable. The engineering enterprises will be able to deal with this great changeability only if the technology and organization of their production are sufficiently modernized on the basis of flexible automated systems and if their system of selling and buying is of such quality that the enterprise "fits" into the particular economic framework.

An entrepreneurial area is opening up for most enterprises which, moreover, can also increase substantially decisions on leaving depreciation at the disposal of the enterprise. The basic question is whether these important changes and relatively large differentiations truly conform to the attained and anticipated efficiency of the enterprises. The present status is based not only on current enterprise decision making but also in large part by a number of administrative actions taken outside the enterprises. All this shows that analysis and processing of forecasts by dialogue on the computer with participation of both the enterprise, including applied research, and representatives of central offices are essential, at least in key enterprises. If we leave aside electric power enterprises where the number of workers is uncertain because of their size, we may consider as large any enterprise that had more than 7,000 employees in 1986.

There were 46 industrial enterprises of this size in 1986, 20 from the general engineering and electrical engineering sector, 8 from the metallurgical sector, 3 from the chemical sector, 11 from the consumer goods industry and 4 from mining. This group of large enterprises comprises, and in the future will comprise, the basic framework of industry. It represents, in fact, a third of industrial output and a fourth of the total resources of industry (in the number of employees and size of capital assets).

Therefore, central offices should focus the first stage of their projection for development of industry obviously on this group of large enterprises. Their future favorable management of developments in intensification and efficiency under the cooperative partnership of central offices and enterprises will provide for the healthy development of a substantial portion of our industry.

With a comprehensive grasp of the plan, all of these large metallurgical, chemical, general engineering, electrical engineering, consumer goods and mining enterprises forming the basic industrial framework should find themselves in an expanding area of intensification and efficiency. Therefore, we carried out a retrospective analysis and future-oriented calculation for all of these 46 enterprises for the ninth and tenth 5-year plans.

A summary multicriterial evaluation of the development of the signaling proportions led to this assessment of the 1981-86 period: of the 20 large general engineering and electrical engineering enterprises 6 had unfavorable starting positions and 3 had critical ones. Of the eight large metallurgical enterprises two were in stagnant starting positions and three in unfavorable ones.

Of the three large chemical enterprises, only one was in a favorable starting position. Of the 11 large consumer goods enterprises 4 were in a critical starting position and also 4 were in an unfavorable position. In the mining sphere all four large enterprises were in unfavorable starting positions.

The most important result of the calculation of the prospective economic framework to the end of the century for these 46 large enterprises is, however, that it would be realistic for all to gradually shift to the area of favorable development for intensification and efficiency and to do so at the turning point between the ninth and tenth 5-year plans. This, however, requires the essential condition of prior specific collaboration of the central offices with these enterprises. But this condition is not quite sufficient because our calculations were only examples. Each of the analyzed large enterprises can determine any deviation only by a specific dialogue with the big computer which has basic developmental trends of

the signaling proportions programmed in it. The dialogue determines the reality of the developing norms of the signaling proportions along with alternative material structures of the prospective economic framework.

In regard to Czechoslovak engineering its future structure must, above all, take into account the formation of realistic sales possibilities which are determined to a considerable extent by those national economic requirements considered most urgent worldwide, by socialist countries and also the CSSR. These are areas without which continued development of civilization is unthinkable: procuring energy, producing food, eliminating the threat of ecological disaster and providing for another "sector" of the economy, the information sector. These are trends which are sometimes called going along with the tide of the world's import-export flow.

At the same time it is necessary to observe how these questions specifically appear in the socialist countries especially in the USSR. Undoubtedly, the problem of transportation is getting more attention in socialist countries than worldwide as also indicated by relevant portions of the results of the last CEMA conference held at the highest level.

Industrial Capacities Are Not Single-Purpose

In this connection it is necessary to take a basic stand on the concept of the development of so-called subassembly sectors. Engineering assembly modules have long been in short supply in our national economy with dire economic consequences. At the same time, the technical level and especially export potential of what we do produce in this area is often high. I have in mind such subassembly lines as pumps, armatures, aerotechnology equipment, auto accessories, hydraulics, instruments, control panels, electric motors, tools, electronic components and circuits.

Subassembly sectors are among the most dynamic components of international trade in general and electrical engineering products. It will be essential to develop most of these subassembly sectors at an above-average rate and organize their production even at the expense of finished goods production whenever it is advantageous for export.

These sectors are altogether more efficient than finished goods. One cannot agree with the notion that their development should be earmarked for domestic use only and that their export is only a necessary evil. On the contrary, this is an opportunity for our engineering industry to become specialized producers of technically highly advanced production modules. Finished goods could be designed with definite export features, in a range of products not yet overly available, (for example, pumps for nuclear energy, nuclear filters, special pumps, combustion filters, instruments to register ecological balance, fuel injection pumps and high precise bearings)

The products which would thus form the base of engineering product selection and would always be efficient on the international market for the Czechoslovak economy could be produced in two ways

—While maintaining relatively constant utility value of products to reduce their production costs by increasing assembly line and mass production, reducing labor input of products by high specialization, but, as an essential consequence, with relatively high capital intensive and specialized production facilities;

—While increasing the utility value of products, to use automated production facilities but relatively general-purpose ones and thus less costly. As opposed to the first this method would be more labor intensive but would have the advantage of being able to convert capacity and adapt quickly and flexibly to demands of the world market. In the end this method would be more efficient.

There must be a gradual merging over time of both methods of production at a rate that permits raising the technology and management of engineering production to the world level.

Every new structural course raises the problem of protecting the technological production base which almost always must adapt itself to the new production program. Often this results in an argument against the required changes in the production programs, claiming that with so-called predetermination of capacity features only a certain product can be made with the given production equipment.

As a rule, predetermination is not frequent in engineering. This does not mean, however, that needed changes in the production program will not always cost something. A given specialty predetermines equipment only by exception. Otherwise, there is the question of partial capacity for specialized production. One can well imagine, however, regardless of the resulting problems, the internal restructuring of any kind of engineering production capacity to meet a desirable future program. After all, capitalist production in the CSR before the war had to go through many such changes and took it as a matter of course in the interests of obtaining orders. Naturally, they must have had many programs, much cooperation and especially the will to do it.

Therefore, with rare exceptions, the theory of predetermination in the shape of engineering capacities should essentially be rejected. The fact is that engineering capacities are only in small part narrowly specialized or single-purpose. The great majority of sectors use universal technological production equipment and buildings which are to a great extent convertible, considering the size and bulkiness of parts and products (heavy, medium, light).

Naturally, most changes in production programs will also require changes, additions and modifications of capacity. But these are incomparable smaller, faster and cheaper than constructing new plants. Rather than

predetermination, the problem is the dislike and reluctance of central offices and enterprises to make changes and especially the rigid and inflexible organizational structure.

The basic goal for intensifying general engineering and electrical engineering is to formulate an economic framework for the long-term prospects of enterprises so that both central offices and enterprises are provided with the prerequisites for an essential dialogue. Its purpose is to achieve a balance between the aims of the state plan and the enterprising activity of organizations. It is a matter of coordinating the income position of the state and the income position of the khozraschet sphere.

Opinion Differences Concerning Danube Dam Revealed

24000161 Prague RUDE PRAVO in Czech 7 Jul 89 p 4

[Article by Gustav Capko: "On the Force of Argument and Attacks From the Sidelines"]

[Text] The joint Czechoslovak-Hungarian construction of the Gabcikovo-Nagymaros waterworks on the Danube continues to command the attention of our own and the Hungarian public.

Readers of RUDE PRAVO have been expressing disappointment in their letters over the decision of the Hungarian government to suspend temporarily work on the Gabcikovo-Nagymaros waterworks.

With regard to this issue, some people have again begun justifiably to ask whether approved environmental protection measures in the vicinity of these waterworks have been implemented fully. Others however take no notice of the facts presented by experts. As we stated in our article, Who Wants To Change The Professional Into The Political? (RUDE PRAVO 13 Apr 1989), these people only want to raise doubts, sow mistrust, and to make endless impassioned protests that resolve nothing. Their goal is to alter the unity of political and professional approaches to this issue into a political free-for-all, with the objective of obtaining suspect political capital...

Unfortunately, published articles have more than once played into the hands of these tendencies. One such instance involves a long article by Josef Vavrousek about the Gabcikovo-Nagymaros waterworks system. Published as part of the series Position Papers of the Ecological Section of the Czechoslovak Biological Society, affiliated with the Czechoslovak Academy of Sciences[CSAV], this article appeared in double issue 1-2 of the NIKA Information Bulletin. This is a periodical published by the Prague City Committee of the Czech Protectors of Nature Union, in cooperation with the Prague Center for Historical Site Preservation And The Protection of Nature. Our article, Who Wants To Change The Professional Into The Political?, served as a rebuttal to this article in the NIKA information bulletin. But despite the fact that we presented an objective, undistorted, scientifically supported viewpoint, despite the fact that we wrote openly and truthfully about certain aspects of the Danube waterworks construction project, and despite the fact that we published additional, highly detailed information, in contrast to the protestations of an "ecological hysteria", in a May publication entitled Gabcikovo-Nagymaros, issued as a RUDE PRAVO Library edition, many people continue to have doubts.

This is evident, for instance, in a letter from Hana Stekla, chairwoman of the Koniklec basic organization of the Czech Protectors of Nature Union in Prague 3, in which she states in part "...both the RUDE PRAVO article and the data contained in Facts and Arguments are biased in favor of the project, and do not have adequate scientific support. In contrast, the article by Josef Vavrousek is supported both by his expertise as well as logical and professional arguments, to say nothing of the fact that the article expresses the viewpoint of the Ecological Section of the Czechoslovak Biological Society, affiliated with the CSAV."

There is no reason to repeat what we have already published during the above mentioned discussion. The facts that we presented in the above articles, in a condensed form, have been confirmed by many researchers and other experts. We have published these views also in RUDE PRAVO. Independently, television and radio panel discussions have supported our viewpoint, as have subsequent newspaper articles on the subject. Nevertheless, there is no harm in presenting a couple of additional comments and pieces of information related to J. Vavrousek's article and to the letter written by H. Stekla. These comments were written by Eng Vladimir Lokvenc, the person designated by the governments of the CSSR and the SSR to be responsible for the construction and operation of the Gabcikovo-Nagymaros waterworks on the Danube. This will allow us to introduce only facts into the discussion, and to avoid emotion and bias.

"The assertion of J. Vavrousek that only the Gabcikovo project, for practical purposes, has an impact on the protection of the lowlands near the Danube in Czechoslovakia and Hungary from flooding, is inaccurate", asserts Eng V. Lokvenc. "The incontrovertible fact of the matter is that during the floods of 1965, the protective dikes on the Danube were breached on 15 June near Patince, flooding an area covering 10,000 hectares. We would note that the dike breach near Patince occurred at river kilometer 1,755, i.e. some 11 kilometers lower, before Komarno. This is between Komarno and Sturovo, and we can protect this area from flooding only by completing projects that are included in the Nagymaros waterworks.

We would also note that on 17 June 1965 a dike also gave way near Cicova. This was at river kilometer 1,80), or 10 kilometers below the end of the exit channel at Palkovicova. This is for practical purposes right next to the Gabcikovo waterworks. The dike breach at Cicova resulted in the flooding of 71,000 hectares, and the saturation of 114,000 hectares. By 26 June 1965, most of this territory had been affected, with the flood waters

choking some 94,000 hectares of land. We had to evacuate approximately 55,000 people from 65 villages. The flood destroyed 6,180 houses, caused the evacuation of 35,759 head of cattle, 9,354 head of sheep and goats, and 83,000 poultry. Hundreds of drowned cattle and pigs were burned. Nor should we forget that we had to set up very quickly for the local children schools, kindergartens, day care centers throughout the CSSR as well as arrange substitute housing for these children and the other people from the affected area. Approximately 90 percent of those affected were of Hungarian nationality.

Protecting the land around Cicova, however, is also one of the objectives of the Nagymaros waterworks. I hope that we agree, at least, that our primary concern in relation to the environment is people. One cannot get around this reality with J. Vavrousek's statement that only the Gabcikovo project has an impact on protecting the territory of the CSSR."

And what can one say to his further proposal that we should "...stop construction on the Nagymaros project, because its potential energy contribution is negligible.'"?

Eng V. Lokvenc, the government representative for the Danube waterworks, does not share this opinion either.

"The Nagymaros hydroelectric plant", he comments, "will produce annually an average of 1,040 gigawatt hours of standard energy, half of which will belong to the CSSR. One needs to keep in mind that our existing large hydroelectric plants produce the following quantities of energy: Orlik, 400 gigawatt hours; Lipno, 148 gigawatt hours; Liptovska Mara, 296 gigawatt hours; Krpelany, 57 gigawatt hours; Sucany, 90 gigawatt hours; and Lipovec, 87 gigawatt hours. This is a total of 1,078 gigawatt hours of electricity. It seems to me that power generation experts should be the ones to decide whether an additional 520 gigawatt hours of electricity is a "practically negligible addition to the CSSR power supply."

Objectively, however, this is not only a matter of comparisons within our republic. For instance, in Austria the Melk hydroelectric plant, with an 8.2 meter head, produces 1,180 gigawatt hours of electricity annually, the Wallsee hydroelectric plant, with a 9.1 meter head, produces 1,320 gigawatt hours, the Abwinden-Asten plant, with a head of 7.9 meters, produces 1,028 gigawatt hours, and the Ottensheim plant, with a head of 9.1 meters, produces 1,143 gigawatt hours of electricity. In addition, some 30 other power plants have been built along the Danube. Some of these, mainly from the FRG, generate significantly less energy, on the average, but hydroenergy in these countries is the most expensive.

The assertion that the Gabcikovo plant would make a negligible contribution to electricity supplies is also incorrect in the sense that our joint plans with the Hungarian government called for the generation of peak period electricity at the Gabcikovo hydroelectric plant. The Gabcikovo-Nagymaros waterworks system is designed to generate 1,441 gigawatt hours of peak period electricity, 1,244 gigawatt hours of daytime electricity, and 1,038 gigawatt hours of nighttime electricity. If we do not build the Nagymaros water step, we will not be able to use the Gabcikovo waterworks even to cover emergency loads in the power grid, when the price of delivered energy exceeds by several times the value of peak period electric power."

The author of the article in the NIKA bulletin, however, proposes among other things "...not to build the Nagymaros waterworks as currently designed, and to use the work that has already been completed to build a low control step to raise the level of the Danube for a distance of at most 20 kilometers, or only to deepen the river channel. The proposed solution", asserts J. Vavrousek, "can provide the requisite improvements in the navigational conditions in this area."

Unfortunately, this assertion is also at variance with the views of experts who have been maintaining the shipping channels for decades now on this great European river. Nor does the assertion accord with the many years of experience and the findings of the government representative in charge of constructing this water system, V. Lokvenc. Lokvenc comments as follows:

"In the Nagymaros sector the surface gradient of the Danube is six centimeters per kilometer. The author of the cited article in the NIKA bulletin knows this and cites this fact elsewhere. If we begin to make calculations based on this stated fact we determine that over the proposed 20 kilometer section we could obtain a theoretical gradient of 1.20 meters. This raises the question: how many dams would we then require over a 100 kilometer sector? How in this case could the Danube commission provide the requested 3.5 meter channel depth?

The reality, in other words, is substantially different from the wishful thinking or one-sided views of certain people who, perhaps, are very expert in fields other than those they choose to write about. This is supported by many years of scientific research, as we made clear in our rebuttal to the article in the NIKA bulletin that we published on 13 April this year, and now by the arguments of Eng V. Lokvenc. Indeed, we must inform the general public about these construction projects. The projects should even be challenged, but convincingly, on the basis of serious arguments and concrete scientific data. As a matter of fact, there have been approximately 100 instances of objections to one or another aspect of this project. Each has been resolved either in the design phase, or during the construction itself.

Clearly it would help matters if the author of the above mentioned letter, H. Stekla, and people who think as she does would take another look at the article published in the NIKA bulletin in light of the information presented here and other arguments of scientists and other experts who are dealing with these issues right at the site. These

people are not drawing wide-ranging conclusions "from the sidelines", based on second hand, and potentially distorted data. The contribution of any scientific undertaking is determined by concrete results, never by doubting speculation, however fashionably it may be presented...

HUNGARY

Raba President Blames Government for Doubts About GM Joint Venture

25000393 Budapest FIGYELO in Hungarian 3 Aug 89 pp 1, 6

[Interview with Ede Horvath, president of Raba [Hungarian Railroad Car and Machine Works], by Arpad Hajnoczy: "Ede Horvath: 'We are Outraged'"; date and place not given]

[Text] "General Motors wants to build an engine manufacturing plant in Hungary for its newest Western European Opel Kadett model," U.S. Ambassador Mark Palmer told one of the newspapers not too long ago. He added that for the time being, the party they are negotiating with is being kept secret. In a brief radio interview Raba President Ede Horvath revealed that they are negotiating with an American partner. The real surprise is that Raba's head told our reporter the following: "We won't build an engine manufacturing plant, if.(...)" The continuation follows below.

[FIGYELO] Is it perhaps because of technical and technological problems that some doubt was cast over the fate of the future engine manufacturing plant?

[Horvath] That's out of question, negotiations are progressing in good order, and Raba is capable of establishing a 200,000-engine-per-year capacity, state-of-the-art personal car engine manufacturing plant in its Szentgotthard facility.

[FIGYELO] Then, what happened?

[Horvath] The other day I received a memorandum from the Ministry of Finance which contains the 1989 ruble export production tax rate and the ruble export subsidy indexes. We are outraged! According to this, different laws apply at Gyor than, for instance in the Great Plains. It continues to look as if economic management was making grants to the basic materials industry while it cripples and taxes the processing industry. The exact reverse takes place in the developed world, and in Hungary we were unable to get beyond some declarations.

The other side of this matter is that FIGYELO in its article concerning the "100 Club," talked about the machine industry's decline and Raba dropped three places. At the same time Raba is paying a 17-percent ruble tax, it does not receive a penny in subsidies, and what was not shown in FIGYELO's evaluation: Raba lost more than 1 billion forints due to last year's administrative price revisions—as compared to the base material industry. And it seems that the state leadership was unable to rid itself from this orthodox, protectionist rearrangement, meaning: I'll take away from places where there is something, and I'll give to places where there's nothing.

[FIGYELO] Insofar as the FIGYELO analysis is concerned, we indicated that not everyone agreed with the analysis last year, or for that matter not everyone will agree with it this year. Would it not lessen tensions if, let's say, Raba would reduce its ruble exports, precisely because of the high ruble tax?

[Horvath] Well, that's just what we're talking about. Next year we will reduce our exports by 80 million rubles, and we will replace that with dollar exports so that the factory will continue to produce, so that workers need not be laid off. We accepted the orders already. Despite this fact they value state subsidized enterprises more than Raba. Is an enterprise living in an incubator better than one which is in the world market? This year, our exports to the United States alone were increased by $60 million, up to the $100 million level. Meanwhile the foundry industry, which receives a 104-percent subsidy makes threats behind Raba's back and dictates prices. And even this way it is unable to repay the credits it has received. I am a member of the Hungarian Credit Bank's board of directors which forgave 6 billion forints to the Lenin Foundry Works. But before that they made an attempt so that the industries which process basic foundry materials contribute to pay off the losses incurred by the foundry industry. I am paying higher than world market prices to the foundry industry, and on top of that they want me to give them money? I became furious. I told them that as long as they deliver good quality materials Raba will always be their largest customer. Beyond that, I can give no more support.

We are not building an engine manufacturing plant until enterprises in Hungary are not treated in a legal manner, under the same rules of the game. On what basis does the state squeeze the last drop out of us, and then demand that we build an engine plant? We would be better off if we did nothing!

[FIGYELO] I cannot tell to what extent your momentary emotions influence what you are saying.(...)

[Horvath] I am not emotional. But we believe that if normal conditions for development do not exist as a result of budgetary withdrawals, sooner or later the enterprise may collapse. This is independent of the amount of profits, because it is untenable that out of 30 billion forints in sales revenues we may spend only 1 billion on development. That's simply not enough.

[FIGYELO] Nevertheless, what's the secret behind the fact that despite such financial difficulties you were able to establish the Szentgotthard facility by investing between 1 and 1.5 million forints?

[Horvath] We started construction 5 years ago. At that time Raba's profits amounted to 4.5 billion forints.

[FIGYELO] It appears to be an unusual developmental policy to begin construction without first having the future activity fully defined. If I recall correctly the Szentgotthard facility started out as a scythe factory.

[Horvath] That's true, but don't believe that we meant it to be a scythe factory from the start.

[FIGYELO] But this way it's neither an engine factory, nor a scythe factory.

[Horvath] But it can be sold. This is a universal facility, it can be used in many different ways.

[FIGYELO] It's hard to imagine that any domestic enterprise would have enough money to equip that facility.

[Horvath] This is why we have primarily foreigners in mind.

[FIGYELO] You repeatedly stated that the introduction of developed technology should be encouraged with subsidies. What do you have in mind?

[Horvath] In developed market economies the financial source for industrial development is not primarily the state, but instead it is the entrepreneurs. But the state assists development. I could also say that the state appreciates the fact that enterprises create new workplaces and introduce peak technology to such workplaces. Just think of Reagan's or Thatcher's economic policies. They liquidated losing enterprises, they privatized them, and thereafter those enterprises are not interfered with.

In Hungary laws do not direct the economy. It is possible that tomorrow I will receive still more documentation, once again containing some measures which will have me chewing a pencil in aggravation. They look at the balance sheets, find out which enterprise has money, then they assess taxes. How can I engage in developmental work if the state takes my money? I told Karoly Grosz, he could do one thing: help push the Szentgotthard plant across the border. Or the fence should be built on this side of the plant. Our problems would instantly disappear. I'm not saying that we would become a Mercedes, but our profits would at least triple.

[FIGYELO] We have learned this much: A Japanese trading firm would provide $220 million in merchandise credit to cover a significant part of the machinery needed in the engine manufacturing plant. Taken together, what size transaction are we—would we have—talked about?

[Horvath] There will be no engine manufacturing plant here. This country does not have the leadership culture in which Raba could bring this matter to completion. It's not worth doing it as long as they want to take away 3 dollars out of every 2 dollars.

[FIGYELO] In those days Raba stayed away from cooperative ventures with the automobile industry. But as it turned out in the meantime, Raba has been thinking about—is thinking about—significant auto industry investments.

[Horvath] Fundamentally, our viewpoint concerning cooperation with the auto industry has not changed. We do not believe that one can construct an automotive assembly plant in exchange for synthetic fittings, and although we root for those in Borsod, we do not believe that one should import technology from Romania either.

[FIGYELO] What exactly do you have in mind when you urge the achievement of equal opportunity?

[Horvath] First of all, the century-old, obsolete industrial policy conception which holds that we must support the basic materials sector, must not be brought back into practice, and must not be continued. Nevertheless things seem to be going that way, despite all the declarations. Because if this happens, Hungarian industry will by necessity become a colony. Meanwhile they are crippling the processing industry to death with taxes and withdrawals. In my view this is nothing but incompetence.

Second, we must move away from that decades-old perception that the amount of withdrawals from the various enterprises is determined on a subjective basis. During the past decade they withdrew from Raba more than 10 billion forints in a manner that would be inconceivable in the developed world. For example, a few years ago United Light Bulb had no operating funds, while Raba's operating funds were available at a 97-percent level. By claiming that the speed by which money turns over at Raba is slower, they took away from us 350 million forints with a single stroke of the pen, and gave it to United Light Bulb. This and similar solutions must be cast out from the inventory of possible measures available to economic management, and then we can discuss how we can build an engine factory.

[Box, p 6]

Just to see what aggrieved the Raba president, let us take a look at the Ministry of Finance Memorandum. In the following we present without commentary some regulatory details applicable to ruble exports in 1989.

The rate of subsidies expressed in terms of the percentage of border parity export sales revenues in regard to iron foundry products is on average 88 percent. The support level for nonferrous metals is 98 percent, and for aluminum oxide and aluminum it is 97 percent. Just as a matter of interest we will note here that the support level for beef cattle and pork is 214 percent, but for beef including bones it is 286 percent.

The enterprises complain often about the rate of ruble taxation—expressed in terms of percentages of border parity export sales revenues—which amounts to an average of 19 percent in the machine and transportation industries. Within this rate, however, there is a great

spread. For example, Raba pays at the rate of 17 percent, Ikarus pays 5 percent, while Csepel Auto pays at a rate of 12 percent. Ganz Danubius has "achieved a zero percent index, similar to the National Mining Machine Manufacturing Enterprise. Szolnok Agricultural Machinery pays 6 percent, while Gyor Agricultural Machinery pays 10 percent. Budapest Communications Technology Machinery Works pays 10 percent, while the Kecskemet Agricultural Machinery Enterprise pays 13 percent.

The ruble tax rate for the rubber industry is 20 percent, 30 percent for the pharmaceutical industry, and zero percent for the yarn industry. The construction industry pays a 25 percent ruble tax. Within the latter, Vegyepszer, with its construction assembly export to Tengiz pays zero percent ruble tax, but for exports in addition to the Tengiz assembly work it pays 15 percent in ruble taxes.

Citicorp, Austrian Firm Buy State-Owned Stationery Chain

25000409a Budapest NEPSZABADSAG in Hungarian 21 Aug 89 p 8

[Interview with APISZ president Andras Kardos by Zsuzsa Gal: "APISZ Found Owners for Itself"; date and place not given]

[Text] According to the British news agency Reuter, a Citicorp representative in London announced on Wednesday that the privatization of the first Hungarian state enterprise, with the participation of management and employees, is becoming a reality. Citibank Budapest, Inc. has signed an agreement to form an investment consortium with the participation of the management and several employees of the State Paper Cooperative Enterprise [APISZ], and of the Austrian Berger family. APISZ has been purchased for 700 million forints.

[NEPSZABADSAG] What took place here in reality?

[Kardos] I can speak only as the director of a business corporation. My contract is for a limited time, two and a half years, and if I am not the right person, they obviously will not extend the contract.

[NEPSZABADSAG] And what can you say in your new capacity?

[Kardos] I can say that in Hungary market conditions are evolving in which state commercial enterprises are unable to function in a flexible and successful manner. During several decades of shortage conditions we learned how to procure goods, but we forgot how to sell. The old organizational system is also inappropriate to accomplish a change: Actions must be taken which cannot be taken either by the enterprise council or by the council's employee, the president.

[NEPSZABADSAG] Would these be unpopular measures?

[Kardos] Some of them are. We must learn how to work efficiently, and this process can be accelerated if workers become the owners. In Vienna the employees clean their shops; in Hungary this is not part of their job description. Various supplemental payments must be made for such work and for many other things. This is the way, instead of having well paid employees and of laying off those who do not function well. This is another thing that can hardly occur in a state enterprise, because it is not really in the president's interest, and if he did proceed in this way the enterprise council would perhaps dismiss him.

[NEPSZABADSAG] Accordingly, APISZ has ceased to be a state enterprise?

[Kardos] It has not gone out of business. It has established a business organization under the name APISZ Commercial Stock Corporation. It has transferred a significant part of its assets into that corporation, or sold it, and has thus become a manager of the assets. Twenty-five percent of the shares passed into foreign hands, among others to Citibank and to the Berger family. The latter is one of Europe's largest stationary merchants. We will sell the rest of the stock in Hungary, and some of them will be bought by APISZ workers.

[NEPSZABADSAG] And what are you going to do with the APISZ stores?

[Kardos] They will continue to function. The only thing that happened is that we were looking for owners who would make us work like real owners. I am convinced that this is the only way we can be responsive to the evolving market conditions. Quite naturally this also means that we must be responsive to customer needs.

[NEPSZABADSAG] And will this teach you to sell?

[Kardos] We will fail if we do not learn how to sell, and the owners will replace us.

Videoton May Make Gearshifts for Citroen

25000404a Budapest HETI VILAGGAZDASAG in Hungarian 12 Aug 89 p 7

[Text] International news reports that Videoton Industrial Corp., Inc. is negotiating with the French automaker Citroen for the manufacture of 300,000 gearshifts have been confirmed by Videoton president Janos Kazsmer. The gearshifts would be installed in small and medium-sized family cars. Kazsmer also said that the new manufacturing branch would replace declining military production, and, if negotiations are successful, the new joint venture would be funded by a 10-billion-forint investment. The Hungarian party would return the gearshifts to the French manufacturer. No plans have been developed as to whether Citroen would deliver finished cars to Hungary in exchange for the gearshifts.

Soviets Visit Border City by Thousands

25000417c Budapest NEPSZAVA in Hungarian 3 Aug 89 p 16

[Unattributed article: "Zahony, the City of Dreams"]

[Text] The latest issue of LITYERATURNAJA GAZETA reported on the commercial "gold rush" and the development of the Zahony "tourist market" that has evolved on the Hungarian-Soviet border.

The respected Soviet weekly reminded its readers that development of the Zahony market received its foundations on the basis of a decision reached by Soviet and Hungarian authorities. According to this decision borders were opened in March to enable Hungarians residing in the Soviet Union to travel to their relatives in Hungary without impediments. On the other hand, no one assumed that Zahony would be virtually flooded by Soviet citizens. Each day thousands of people cross the border, and, quite naturally, they do not omit local stores from their schedules.

The Soviet weekly mentions the initial outrage manifested by local residents prompted by "devastated" stores and long lines. As an example, the periodical mentions that in May alone 1.5 million Soviet citizens visited Zahony, and that days in which the city does not receive 100,000 foreign visitors are rare. (Official Soviet data indicate otherwise: During the 6-month period, 900,000 persons crossed the border.)

Subsequently, the hopes of big business calmed the outrage at Zahony. Local entrepreneurs have built shops, and even Western firms have manifested an interest. A West German firm plans to build a huge supermarket, and the Austrians do not want to be left out either. The parking lot outside the town has practically changed into a market, and even Polish tourists have appeared here. Local authorities also take advantage of the situation, because tax assessments on entrepreneurs contribute to the city's treasury, according to the Soviet weekly, which recognizes the merits of a "socialist free market" advantageous to all concerned.

Soviet Troop Purchases in Hungary Listed

25000409b Budapest HETI VILAGGAZDASAG in Hungarian 19 Aug 89 p 7

[Text] The value of purchases made by, and services provided to, Soviet military units in Hungary will supposedly reach the 160 million ruble level, following last year's 140 million rubles, according to Lajos Berenyi, National Planning Office deputy chairman, in a statement made to HVG. Based on agreements between the two states, this spending constitutes one item among Hungary's shipments to the Soviet Union subject to settlement in rubles. Within the total amount of purchases, the value of coal, natural gas, and motor fuel purchases amounts to between 13 and 14 million rubles; the value of larger volume food, building materials, and so-called local transfer goods is 25 million rubles; and Hungarian deliveries to local construction sites are valued at between 5 and 6 million rubles. The value of various service deliveries and merchandise purchases, including food, industrial products, and utility fees, amounts to between 100 and 120 million rubles. Berenyi also told HVG that about half the Hungarian economy's first semester balance of payment surplus—a record amount of 800 million rubles, subject to settlement in rubles—was incurred in the framework of Soviet-Hungarian trade. From the 350-million-ruble merchandise trade surplus between 230 and 250 million rubles stem from trade with the Soviet Union. All this is unfavorable because it may be regarded as a kind of credit, and in the present situation such credit further weakens the load bearing capacity of the Hungarian economy. Part of the full picture is the fact that, in the framework of Hungary's trade with the Soviet Union subject to settlement in convertible currencies, during the first 6 months Hungary delivered goods worth $120 million, but did not purchase anything from the Soviet Union. It is noteworthy that a decisive part of the $146 million foreign trade volume surplus during the first 6 months is a result of this fact.

Proposal To Broaden Interest Reconciliation Forum

25000414a Budapest NEPSZABADSAG in Hungarian 7 Aug 89 pp 1, 4

[Text] The present methods of economic interest mediation are rather primitive; roles and functions mix due to a lack of appropriate forms of mediation, and significant social organizations and citizens groups feel that they have no opportunity to express their interests prior to decisionmaking. At the same time, due to the evolving market economy, there is a need for a conciliatory mechanism in which all significant economic decisions are preceded by a comparison of the various interests within an institutional form. New concepts are taking shape within the State Wage and Labor Affairs office. Chief division director Laszlo Hercog provided information in this regard.

Hercog said that aside from high level bilateral negotiations with the government, various interest groups are able to represent their members in an institutional setting only before the National Interest Reconciliation Council [OET], and even there only in a narrow sense, regarding wage and labor affairs issues. Therefore it would be useful to establish a forum in which participants could reconcile their perceptions on general economic issues, such as the economic policy to be followed, planning, budgeting, and the principles and direction of regulatory activities. These meetings would have a consultative character. Another important theater for the clashing of interests would be a council or committee dealing with price issues. Its function could extend to comments on pricing policies, reconciliation of price increases ordered by the central government and of official prices, and mediation with regard to price disputes.

The OET, even if under a different name, could pursue its functions with an unchanged content, but perhaps supplemented by other labor affairs issues in addition to wage issues. There would also be a need to reconcile interests with regard to social security issues. These forums would reconcile conflicts between employers and employees, as well as the government. On the other hand, a more specific definition of participants is not that easy, because new organizations needed and accepted by society have come about, and continue to do so, while proprietary reform will change the present employer constituency. Since no one should be excluded from the negotiations, but at the same time the circle of negotiating partners cannot be expanded infinitely either, it would seem most expeditious if participating interest groups would form federations. Thus the three part division of employers, employees, and the government would remain intact. This kind of division is best suited for the reconciliation of interests at the highest level. New organizations joining the negotiations would cause no problem if this is accomplished through the federations. The equal standing of the negotiating partners would be expressed by the fact that the three main actors, i.e., the respective federations of employers and employees and the government, each would control an equal proportion—one-third—of the votes.

Initiatives to change the OET in a similar manner have been made already, but thus far these initiatives have been opposed by the participants. Federations presently active in the OET do not want to surrender their independence; at the same time, however, those left out before, primarily the trade unions independent of the National Council of Trade Unions [SZOT], are increasingly aggrieved for not having an opportunity to participate in negotiations. Another concern is that in contrast to trade unions, employer organizations and many enterprise leaders do not even recognize the need for midlevel interest reconciliation. In it they seem to recognize a limitation of their independence and a covert effort to preserve state administrative direction. In contrast, uncertainty may be seen among employees. With an increasing frequency this uncertainty leads to strike demands, precisely because of a lack of public agreements, and as a result of having been excluded from decisionmaking.

New Bank To Serve Small Enterprise

25000412b Budapest HETI VILAGGAZDASAG in Hungarian 19 Aug 89 p 9

[Text] The Investment and Sales Subsidiary Bank, a specialized financial institution of the Hungarian Credit Bank [MHB], has become an independent commercial bank under the name Dunabank, Inc. The 1 billion forint initial capital is the same as the subsidiary's initial capital (500 million forints) and the reserve assets accumulated by the subsidiary in the course of its operations (500 million forints). On the other hand, the MHB owns only 50 percent of the new commercial bank's shares, meaning that as a result of the establishment of the new corporation it can withdraw its profits from the former subsidiary. The other half of the shares is owned by 14 shareholders—primarily industrial and foreign trade enterprises. As perceived by bank president Kalman Debreczeni, the primary function of Dunabank, Inc. will be the management of small and medium-sized enterprise accounts and the financing of small ventures. It would also preserve the positions of its legal predecessor in the securities market.

POLAND

Techniques, Costs of Polish 'Traders' in USSR Viewed

26000653 Warsaw GAZETA BANKOWA in Polish No 19, 8-14 May 89 p 11

[Article by Jerzy Krajewski: "Trade Across Frontiers"]

[Text] Supposedly, business is not our cup of tea. However, countries in different corners of the globe have suddenly declared war on traders from Poland.

The lack of many goods in our country, differences in prices, a difficult economic situation, and the profit motive prompt the Poles to engage in illicit trade abroad. Money can be made in private trading abroad, and this is why representatives of all social groups get involved in it. There are those who have made a lot buying and selling goods in socialist countries only, without traveling with dollars to the Far or Middle East. For example, last year the Soviet Union was the greatest and best market for sales by Poles.

The liberalization of Soviet customs regulations, authorizing legal exports of souvenirs worth up to 500 rubles, was the main incentive for developing private trade with the USSR. Along with the official exchange of zlotys into rubles on the basis of the currency booklet (early in the year, up to the amount of balance), this made it possible for the Poles to export from the USSR color TV sets worth 750 rubles. I have met a person, to be sure, carrying a consular passport, who within several months brought from Lithuania 10 color TV sets; in early 1988, he sold them at $200 apiece. A greater supply of these TV sets and an increase in the exchange rate of the dollar in Poland have caused a small decline in dollar prices later.

Along with TV sets, household appliances had good profit margins and, in particular, vacuum cleaners, microwave ovens, food processors, irons, coffee grinders, and juicers. By the end of 1988, a ruble in these appliances was counted for 1,000 zlotys or more. For example, if a vacuum cleaner cost 42 rubles, in Poland 42,000 zlotys were asked for it in the market. Toys (primarily small electronic games), grinding machines, heater-fans, and wood saws were also brought in, for which the rate amounted to between 700 and 800 zlotys per ruble.

Rubles were needed in order to buy these popular goods in the USSR. The Polish banks exchanged at best 250 to 300 rubles, and those sending invitations from the USSR could seldom afford a "gift" of 500 rubles. Therefore, it frequently came to an agreement that the Soviet citizen gives the Pole a certain quota in rubles for purchases in the USSR, and then receives it in zlotys during a return visit to Poland. In the course of this transaction, generally advantageous for both parties, the greatest difficulties appeared in setting the exchange rate. In his bank, the Soviet citizen received about 130 zlotys per ruble, the Pole paid slightly more than 200 zlotys at his bank per ruble, and in the black market between 280 and 300 zlotys. The minister of finance restricts the ability of the Pole to buy the Soviet currency, just as other currencies of socialist countries, and for this reason the Pole went along with taking into account the black market rate. Therefore, the transaction was effected at the rate of 230 to 250 zlotys per ruble.

However, the most profitable thing for the Pole was to bring the merchandise needed from Poland and sell it. Some of it could be sold to the family and friends of the individual inviting him. But what to do about the rest? A situation emerged which made it possible for the Soviet trade middlemen to make money. They gave help to the Poles in getting cash for spare merchandise and in purchasing hard-to-get Soviet goods. At times, they made more off their brokerage than the Poles. At the railway terminal in Lvov, those arriving from Poland were asked every now and then: "What have you got?" One did not have to leave the terminal waiting room in order to sell off Turkish clothes or fashionable footwear. The middlemen were also at work in Grodno, Vilnius, and other localities where legal trade was possible. They buy merchandise from Poland at prices 20 to 30 percent below those which they ask of their clients. They sell hard-to-get Soviet goods at 20 to 30 percent above the price at stores.

What is taken to the USSR? Trifles are the best business. For example, metal buttons with rock groups, which are purchased in Poland at 50 zlotys in wholesale, can be sold to Soviet teenagers at 2 to 3 rubles apiece; dark glasses costing 750 zlotys at 15 rubles, and alcohol detectors costing 500 zlotys for 5 rubles. However, it is difficult to find quickly a large enough number of clients in order to get several hundred rubles; this is why real traders are geared to small unit profit but higher volume. Turkish clothes were the hit of the 1989 season. The Polish market was overflowing with them, whereas in the Soviet Union any amount could be sold, even wholesale. The prices which Soviet middlemen offered were not much higher than in Poland if we count at the black market rate of exchange. For example, a denim skirt cost 27,000 to 30,000 zlotys in Poland, whereas in the USSR a wholesale dealer would pay 100 rubles, or, at black market rates, between 28,000 and 30,000 zlotys. The point was that one could sell quickly and at prices somewhat higher than offered by wholesalers in Poland the merchandise on which one had already made money transporting it to Poland from Turkey, where it is relatively cheap, and first of all, quickly secure considerable funds for purchasing Soviet merchandise. The return on this merchandise was 2.5 to 3 times higher than the black market rate of exchange of the ruble.

The sets of eye shades were a hit for the entrepreneurs connecting the Turkish market with the Soviet one. In Turkey, such a set costs $1, whereas in the USSR it may fetch 100 rubles (a wholesale dealer will take any quantity at 60 rubles).

In the group of Polish merchandise, the sales of shoes, particularly good, winter ones, were a good business. In this manner, a ruble could be generated for 100 zlotys. Polish denim was still selling well. Sports-style blouses made in Poland were selling increasingly badly. Cooperatives, whose products are patterned after ours, provide competition.

Brand names begin to count in the Soviet markets. Rich people come there who are looking for good Western merchandise, with the label, of course. Therefore, the traders sew the labels of good companies to second-rate merchandise. In Western merchandise, large volume can be achieved at a low profit margin in selling electronic equipment, video cassette recorders, and computers. Specialists in this field venture increasingly further into the USSR looking for clients and cheap dollars. To be sure, they find dollars at a rate higher than in the black market in Poland, but given a high volume they still make adequate profits.

The black market rate of the dollar in the USSR (as well as in other socialist countries) is set by the Poles. In the USSR, virtually nobody takes an interest in hard currency except for our fellow countrymen. Soviet citizens cannot own foreign currency unofficially; without a corresponding certificate, they could not shop at "Beryozka" shops (their PEWEX [Internal Exports Enterprise]), which were closed in January of this year anyway. So, what do they need the dollars for, if not to sell them to Poles at a profit. Such a courageous middleman goes into the middle of the country or to the Black Sea coast, buys dollars there from hard-currency speculators at 5 to 7 rubles, comes close to the Polish border, and sells the dollars there at 10 to 13 rubles. The Poles who live in the USSR semilegally for months and service the routes most frequented by their fellow countrymen have to a great degree taken over these practices.

Such lively private trading caused by the liberalization of Soviet customs legislation has facilitated the development of numerous friendships and business relationships between Polish and Soviet citizens. It is hard to say who has won more in the course of this exchange. Certainly, nobody has lost. After all, a deal is usually struck when it satisfies both parties.

In mid-December of last year, the USSR customs authorities considerably restricted the export of TV sets, and made it practically impossible effective 1 February 1989. High customs dues were imposed on the exports of

household appliances and electric devices. This caused the prices for Soviet goods to grow in Polish markets. For example, a vacuum cleaner which costs 42 rubles is offered at a Polish market for 60,000 zlotys after the payment of 100-percent customs dues. The "rate of return" turns out to be lower, despite the price being much higher than last year. Besides, it is difficult to find a buyer for merchandise that expensive.

Customs barriers have caused a decline in the number of visits and restrictions in private trade. The Poles still have things to sell in the USSR. The new regulations have hit the trade in Turkish clothes the hardest. If we convert rubles at the black market rate, this trade was marginally profitable. Restrictions on the exports of these goods have called the trade in Turkish garments into question. Some say that this influenced the black market rate of exchange of the dollar in Poland, that is, was one of the factors in its fluctuation. The disappearance of the Soviet market for sales has caused a slowdown in the Turkish trade and a decline in the demand for dollars needed for purchases in Turkey.

For a while, the business of traders was bolstered by gold. In Poland, one could get 35,000 zlotys for one gram of gold in a wedding band purchased at a shop for 50 rubles. However, the conditions for this trade deteriorated quickly. The deliveries of gold planned for the territories within several hundred kilometers of the Polish border had been bought up in these regions. Only the wedding bands for the newlyweds remained in the shops. Soviet middlemen who brought gold jewelry from remote areas of the USSR offered it to the Poles at 60 to 70 rubles a gram. In addition, the Polish market was overflowing with the gold delivered by Soviet citizens who bought it at retail prices. The surplus of supply over demand caused a sharp decline in gold prices. A Soviet citizen who is in a hurry is content with the sum of 23,000 to 25,000 zlotys per one gram of gold in a wedding band. This new situation reduced still further the profitability of trade in Turkish garments in the USSR. The trade in Polish merchandise is still profitable; Soviet citizens also find in our country attractive goods which are worth the risk of smuggling gold.

Many Poles bring dollars from the USSR, though this generates smaller profits than the sales of rubles in the Polish black market. The point is that it is easier to transport the dollars across the border and to exchange them into zlotys. If one has a family or trustworthy friends in the USSR, he can bring from there a passenger car. On the border, one needs to produce a deed of purchase, a notarized gift letter, and atemporary Soviet registration. You do not pay customs dues when you leave. They are collected by the Polish authorities when you enter, with the addition of the tax on gifts. In the Lithuanian exchange, one may become the owner of the best car in the CEMA, Lada-Samara, for 20,000 rubles. In the Polish exchange, such a car is valued at $4,000 to $4,500.

Growth of Companies With Foreign Investments Noted

26000654a Warsaw GAZETA BANKOWA in Polish No 20, 15-21 May 89 p 8

[Article by Hanna Weglewska: "100 Companies in 100 Days"]

[Text] During the first 100 days that the Agency for Foreign Investment has been functioning, 100 companies with foreign capital were registered. The vice president of the agency, Hubert Janiszewski, described the most interesting of these endeavors to GAZETA BANKOWA.

A joint venture was established in Warsaw under the name "Syrena International." It will build an 800-room hotel on Zawisza Square and an office complex. The stockholders are an Austrian firm, Blegner, the Polish Security Bank SA [joint stock company], the Polish Savings Bank, and POLMOS. These investments, valued at approximately 35 billion zlotys, are to be completed within 24 months.

Austrian capital was also committed in another interesting project—the INTRACO III company, whose partner on one side is one of the banks and the firm INTRACO. It will build an office complex in Zoliborz, at an estimated cost of 20 billion zlotys.

On the other hand, a group of four mixed companies, in which the Austrian enterprise Schtablauer and its sister firm Domprofil Platz, are shareholders, will be engaged in production. They will produce modern windows made of plastic, with dual-pane insulated glass. The Polish partner in this venture is METALCHEM.

The Celta cooperative from Trzebiez near Szczecin, which is a large exporter of unprocessed fish, found an interesting contact with a Canadian firm. A company called CERMAC was formed as a result of this contact. The Canadians are supplying entire production lines, including packaging, for processing fresh fish. Thanks to this, the new firm's exports have doubled.

A Dutchman of Polish descent owns the technology for producing special ultranew insulating glass, used mainly in aviation. Together with his brother they will apply this technology in a factory built near Krakow.

The initial capital of the entire "100" is estimated to be 15 billion zlotys. Most of the stockholders are from the United States, West Germany, Great Britain, Austria and Sweden. At present, five to six new joint ventures are being registered every day.

'Vigilance' Laws on Economic Activity Inadequate

26000654b Warsaw GAZETA BANKOWA in Polish No 20, 15-21 May 89 p 12

[Article by Andrzej Witak: "Not Just for Scouts"]

[Text] The conduct of economic activity in Poland requires, above all, vigilance. The provisions of the law are so designed that only the most vigilant can remain in compliance with the law. Here are a few of the most recent examples:

1. The law dated 31 January 1989 on a stamp duty in Art 1 par 1 requires the computation, collection and payment of a stamp duty by commission agents (persons operating commission shops, to put it in nonlegal language). Until now this requirement applied only to commission agents who were units of the public sector. This was defined in a decree issued by the minister of finances on 15 March 1984. It was repealed on 1 March 1989, but thus far (the end of April) the new decree has not been published.

Therefore, the requirement was imposed by the law, but no one know how to fulfill it: how records are to be kept, the date on which the collected duty is to be paid, etc. According to the law, the decree is supposed to define this. Probably, in accordance with past practice, it will be issued eventually and will be retroactive. I advise you to be vigilant.

2. The law dated 31 January 1989 on income tax from legal entities requires that prepayments on this tax be made by the 28th of each month (Art 19). For units in the public sector this represents no change from prior practice, but for units in the private sector this is something new. Until now, prepayments of sales tax and income tax were made together, by the 15th of each month. This was specified in the decree issued by the minister of finances on 9 December 1986.

Obviously, the provision of the law supersedes the provisions of the earlier decree, but only insofar as prepayments on the income tax are concerned. The remaining portion of the decree still applies. Therefore, prepayments on sales tax should be paid by the 15th, and on income tax by the 28th. True, the declaration which must be submitted along with the prepayments is for both the income tax and the sales tax, but never mind. The legislators probably wanted it that way. So little control over combat readiness. Are you being vigilant?

3. The Council of Ministers' decree dated 3 February 1989 on the amount and the principles for establishing the norm of the remuneration which constitutes the costs of obtaining the incomes in par 4 requires that the economic units choose either a threshold formula or an individual formula for computing the norm (we wrote about this earlier). There are no conditions in this provision. Everyone can choose freely. Reform, liberalism, progress.

Attention! Par 3 subpar 2 reads: "The average number of employed persons in 1988 and 1989 is the number shown on reports submitted to the Main Office of Statistics (...)." This seems to be an innocuous sentence, but reports are reaching us that the treasury offices are interpreting this as follows:

Average employment can be determined only on the basis of reports submitted to the Main Office of Statistics. Anyone who does not make such a report cannot establish average employment. Anyone who cannot establish average employment, cannot choose an "individual formula." Private sector units are not required to report employment to the Main Office of Statistics, therefore they are deprived of the ability to choose.

Say good-bye to reform, liberalism and progress. The next difficult task was solved—how to retain the division between the private sector and the public sector units without using these concepts (see—equalization of sectors). Let us add that the individual formula is favorable (if it can be favorable at all) to firms which are expanding and increasing their employment and sales. It is possible, by increasing the employment and applying the "threshold formula," to take advantage of the provision of par 2 of the decree being discussed, which speaks about "(...) new plants, departments, sectors which are organizationally, and for reporting purposes, separate (...), only we do not know exactly what this means in relation to the private sector units. Sales accounting regulations do not often permit separations. In any case, we must be vigilant.

4. In conclusion, a positive example, the height of vigilance. POLITYKA wrote about it. A certain enterprising economic activist got permission to run a foreign currency exchange desk sufficiently early to open it at midnight on 15 March. The president of the National Bank of Poland deserves the Big Cross of Vigilance With a Star for this.

On 15 March at midnight the desk was ready, fulfilling the conditions specified in the instructions. The cashier was also ready to meet the requirements of the instructions. This, after all, required time to become familiar with the instructions, make the application, and prepare the site and the personnel. And it was possible to do all of this before the law went into effect, before the instructions were signed and published. Congratulations. Be vigilant.

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